

Discussion Note: Need for Strategic Revision

Executive Summary

This discussion note outlines the need for OVO to revise its strategy to tackle challenges, better navigate a rapidly changing landscape and enhance its support for African SMEs. We seek the Board's approval to initiate this strategic revision process, which we anticipate will take about one year to complete. Concurrently, we propose prioritising three key projects that address immediate and pressing needs within the organisation.

Context

In 2017, the board approved the strategic framework in which OVO's role to fulfil its mission - to foster entrepreneurship in Africa - was defined as 'matchmaker'. Within this framework, new initiatives were launched such as the SusTech4Africa programme, the OVO Acceleration Fund and the trustee set-up for business angels. Meanwhile, these initiatives are strongly embedded in OVO's operations and OVO has been able to gain a lot of experience in terms of direct support to African SMEs. In 2023, following an internal review, the organisational structure was thoroughly redesigned to improve OVO's efficiency and effectiveness. Also in the same year, the strategy was partly updated by explicitly putting forward a pipeline approach in the framework of SusTech4Africa. This was also a way to achieve more synergies between what is known as the B2B pillar (direct support to African SMEs) and the NGO pillar (fundraising for relevant NGO projects).

Despite these readjustments, we still see a need to further optimise OVO's operations and its strategy. On the one hand, there are the organisational challenges we are (still) facing; on the other, there are developments in the external environment that require adjustments.

Internal challenges (non-limitative)

- **Scalability:** Currently, OVO engages with about 10 businesses per year in each of the four countries, totalling around 40 businesses annually. The SusTech4Africa programme requires extensive one-on-one coaching, which is time-consuming and limits the number of companies that can be supported. Additionally, the follow-up process for loans is also very time-consuming and linear, necessitating proportional growth in staff as the number of loans issued increases. To enhance impact, OVO must explore alternative approaches

that allow for broader outreach and support for more businesses while improving efficiency in both coaching and loan management processes.

- **Self-Sufficiency:** To strengthen operational stability and reduce dependency on a limited number of financial partners, OVO needs to diversify its revenue streams. This includes limiting reliance on grants, which can create dependency, and developing more income-generating activities that align with its mission. By creating sustainable financial models, OVO can increase its resilience and safeguard its autonomy.
- **Flexibility and Agility:** As OVO grows, maintaining flexibility and agility in operations is crucial for sustaining its competitive advantage. This adaptability will enable OVO to respond effectively to evolving entrepreneurial needs and navigate the rapidly changing context in which African SMEs operate.
- **Creating synergies:** While OVO has an interesting and broad network, there is need to activate this network more effectively and actively seek out synergies that can enhance collaboration among stakeholders. We need to focus much more on win-win to ensure that we keep existing partners on board and attract new ones more easily. Today, there is too much focus on transactional cooperation, a form of cooperation that is coming under increasing social pressure.
- **Mission drift:** OVO supports African entrepreneurship by engaging various stakeholders in its operations. However, in recent years, we have observed that the interests of these stakeholders – such as investors, volunteers, and others – have sometimes overshadowed the needs of African entrepreneurs. As a result, OVO has unconsciously prioritized the interests of these groups over those of our primary target audience. To be more effective, we must refocus our efforts on placing the needs of African entrepreneurs at the centre of our activities. It is essential to strike a better balance between their interests and those of other stakeholders, ensuring that our initiatives truly serve the entrepreneurs we aim to support.

External challenges (non-limitative)

- **Increased Competition:** There is a growing recognition of the critical role that private enterprises play in driving economic growth and development in Africa. While this development presents opportunities for OVO, it also brings challenges. The growing focus on private sector development has led to an influx of organizations offering coaching programmes and support to African SMEs. This increased competition makes it challenging for OVO to attract and retain partnerships with local entrepreneurs. Also, our loans must increasingly stand up to grants handed out by development agencies to African entrepreneurs.

- **Ecological Sustainability:** Climate change, environmental degradation, and related challenges are among the most pressing global issues today, disproportionately impacting the African continent. The majority of OVO's (potential) stakeholders have placed ecological sustainability high on their agenda. To avoid losing relevance, OVO needs to put ecological sustainability much more at the centre of its objectives.
- **Demand for Local Partnerships:** Donors are increasingly prioritizing projects that involve strong local partnerships. This trend reflects a shift away from traditional models where foreign organizations implement programmes without local engagement, emphasizing the importance of sustainability and community ownership. Organizations must demonstrate how their initiatives align with local needs and contribute to long-term development goals. Although OVO puts collaboration with local partners at the heart of its work, it is mostly transactional. OVO takes the lead with the local partner in the role of service provider, contractor.
- **Capacity building:** In the current landscape of development cooperation, there is a growing emphasis on local capacity building as a means to enhance sustainability and impact. While one-on-one coaching of local entrepreneurs is valuable, it often leads to narrower impacts that may not continue over time. By empowering local incubators and other ecosystem actors, we can create a more robust support system that fosters entrepreneurship on a larger scale. This also ensures that resources and expertise remain within the community, promoting sustainability.

Guiding concepts

In light of the internal and external challenges we have identified, the management team believes it is essential to revise our strategy and explore new avenues for enhancing our impact on African SMEs. In developing a new strategy, we suggest focusing on two key concepts: Collaborative Growth and Collaborative Partnerships.

Collaborative Growth refers to the opportunity for OVO to evolve its relationships with local partners from transactional engagements to genuine partnerships. This shift allows us to create a more sustainable and impactful support system for entrepreneurship in Africa, fostering mutual development as we work together.

Collaborative Partnerships emphasize the importance of working with various stakeholders to leverage their strengths and resources. These partnerships enhance our ability to address the specific needs of African SMEs more effectively, allowing us to create tailored solutions through collaboration.

By putting these concepts at the centre, we can better align our strategy to achieve our goals and increase our impact on African SMEs.

Contextual Examples

Currently, we are assisting the **Mzuzu E-Hub** in setting up a local revolving loan fund through the Klimpala project, which has provided us with initial capital for this initiative. We hold regular meetings to share our expertise in loan and fund management. The fund aims to support smaller businesses with investment needs of up to €5.000.

Looking ahead, we plan to organize a more advanced programme in a few years for those businesses that have successfully grown with the provided loans. Instead of OVO rolling out its SusTech4Africa programme as a more advanced offering, we envision supporting the Mzuzu E-Hub to take the lead, allowing us to add our resources to what they already provide for local businesses.

This approach aligns well with the "pipeline approach" that was approved by the board last year, emphasizing our commitment to strengthening the local ecosystem and better supporting entrepreneurship. By investing in local capacity, we can ensure that our initiatives are more relevant and sustainable, effectively addressing the specific needs of African SMEs. Notably, Mzuzu E-Hub was recommended as a strong local partner by the Segal Family Foundation, which has prior experience working with them.

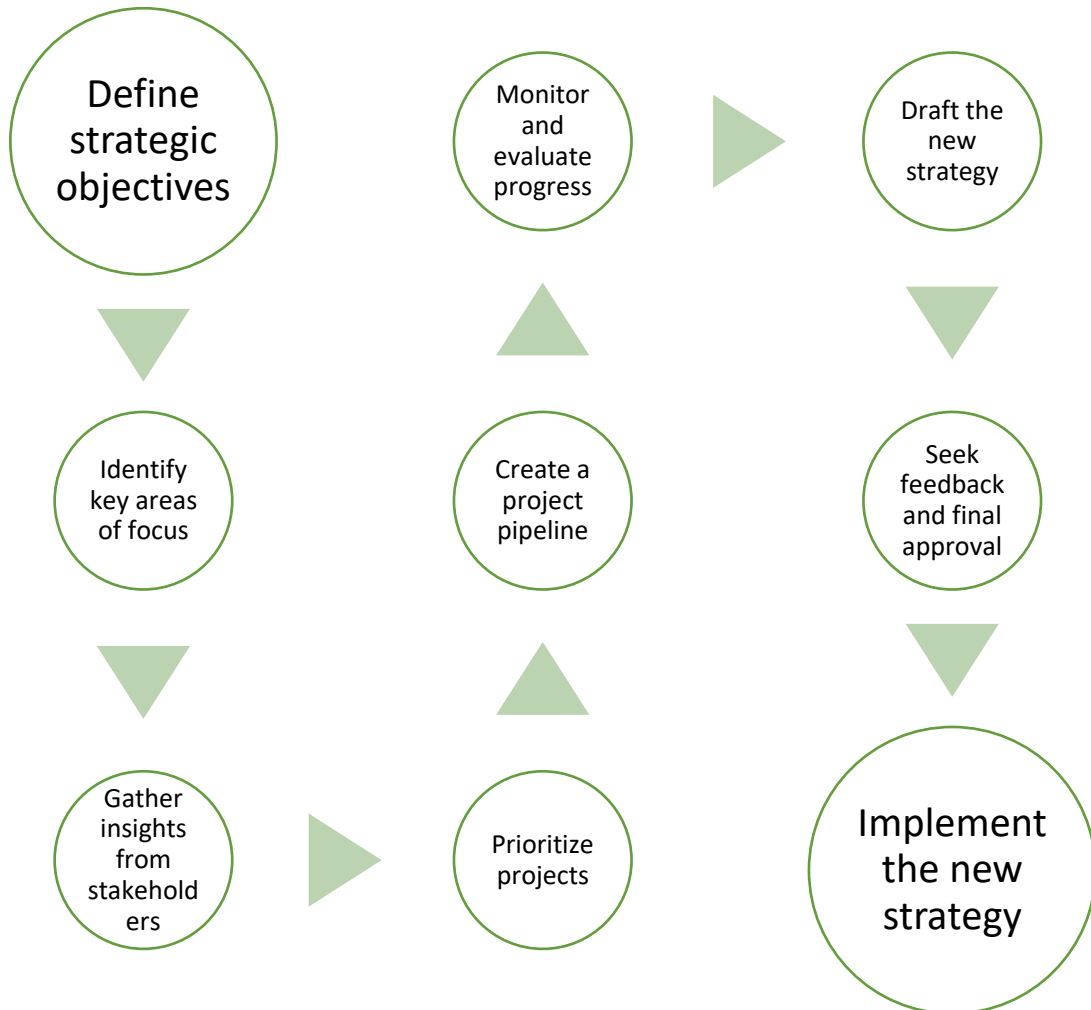
The **Klompala project** exemplifies how combining resources from different organizations can lead to greater outcomes. In this initiative, VITO focused on improving weather forecasting technology and engaging with African policymakers to gather feedback and discuss future policies. OVO connected this information with local businesses, including smallholder farmers, identifying what insights would be useful for them, how they could apply this knowledge, and what is necessary to make it relevant. This collaboration aims to positively impact a larger number of entrepreneurs by equipping them with valuable tools and information.

Similarly, in Rwanda, we worked alongside VITO, which was responsible for developing a policy on the **circular economy**. OVO's role was to test this policy with local businesses, ensuring that it met their needs and could be effectively implemented. Enabel contributed by providing its network of governmental and research institutions and incubators and financing the entire project. This collaboration not only enhanced our understanding of local contexts but also demonstrated how diverse partnerships can create tailored solutions that benefit a broader audience.

These examples underline the power of collaboration and the potential to significantly enhance our support for African SMEs. By leveraging the strengths of various partners, we can go beyond supporting a limited number of businesses each year and instead work towards creating lasting change in local ecosystems. While we have not taken the lead in these projects, OVO's diverse and rich network positions us well to take a more active role in future initiatives. Prioritizing collaborative growth and partnerships will enable us to align our resources more effectively and increase our impact on African entrepreneurship.

Approach to Strategy Development

To enhance our impact on African SMEs, we will adopt a structured project-based approach that emphasizes collaboration and local capacity building. This framework will guide our decisions on stakeholder engagement, geographical scope, thematic focus, and sustainability practices. Our strategy development process will include the following steps:



Benefits of a Project-Based Approach

We advocate for a project-based approach not only for these initial projects but also as an ongoing method for developing our overall strategy. Here are the key benefits of this approach:

- **Focused Attention:** By breaking down the strategy development into specific projects, we can concentrate our efforts on individual aspects of the strategy, ensuring thorough exploration and effective implementation.

- **Flexibility and Responsiveness:** The project-based framework allows us to be more agile in our decision-making. As we gather insights from each project, we can adapt our overall strategy in real-time based on what is learned.
- **Targeted Stakeholder Engagement:** Similar to how we plan to redesign partnerships with NGOs, we can systematically evaluate the types of partnerships we want with other stakeholders – such as students, impact investors, and local businesses – one by one. This ensures that each group’s specific needs and expectations are addressed, fostering stronger relationships.
- **Iterative Learning:** Each project serves as an opportunity for learning that can inform subsequent efforts. This iterative process enhances our overall understanding of what works best in practice, leading to a more robust final strategy.
- **Resource Efficiency:** By implementing smaller projects sequentially, we can allocate resources more effectively according to priority areas identified through initial assessments. This targeted allocation ensures that we focus our time and funding where they will have the most significant impact.
- **Success Measurement:** Each project can have clear objectives and metrics for success, making it easier to measure progress and outcomes. This accountability can enhance overall performance and keep the organisation aligned with its strategic goals.

Strategic Objectives

The following strategic objectives are proposed to guide this exercise. These objectives should be considered as suggestions and can be refined based on further stakeholder input:

- Enhancing support for African SMEs through collaborative initiatives focused on Collaborative Growth.
- Diversifying revenue streams to reduce dependency on financial partners.
- Strengthening partnerships with local and international stakeholders as part of our Collaborative Partnerships.
- Improving operational efficiency to increase reach and impact.
- Building organizational capacity through training and development of local actors.
- Integrating ecological sustainability into all initiatives to ensure long-term viability.
- Measuring the impact and effectiveness of initiatives in a collaborative context.

Proposed Initial Projects

Given the urgent nature of the challenges we face, we recommend starting with three key projects that will address immediate needs while providing valuable insights for the overall strategy:

1. **Redesigning Partnerships with Belgian NGOs:** This project will focus on re-evaluating and enhancing collaborations with Belgian NGOs to create effective partnerships that provide mutual benefits and support local capacity building. This aligns with our objective of strengthening partnerships.
2. **Exploring Models for Access to Finance:** This initiative will focus on identifying and developing various models for granting African SMEs access to finance. We aim to explore models that can enhance our revenue while providing better financial support to a larger number of SMEs. This project supports our objectives of diversifying revenue streams.
3. **Improving Governance:** This project will assess current governance structures and processes to ensure effective engagement of volunteers in decision-making and strategic initiatives, fostering a culture of collaboration and shared ownership within OVO. This aligns with our objective of building organizational capacity.

These projects have been prioritized due to their urgency and potential impact on OVO's overall effectiveness in supporting African SMEs.

Conclusion

Given the significant changes in our operating environment, OVO needs to act to develop a new strategy that addresses both immediate challenges and long-term goals. The management team proposes to adopt a structured project-based approach to come to a new strategy and enhance our effectiveness. During this exercise, the concepts of Collaborative Growth and Collaborative Partnerships, will guide us in the way forward.

We seek the Board's approval to initiate this strategic revision process and prioritize the three proposed projects. While they address some of our most urgent challenges, they are just the beginning of a broader strategy development process. By revising the strategy, we can ensure that OVO remains relevant and impactful in supporting sustainable development for African SMEs.