



Greater than the sum of the parts: Value Added in Africa- supporting African SMEs to reach international markets

CASE STUDY

Case Synopsis

Value Added in Africa (VAA) is a UK and Ireland based non-profit social enterprise¹ that was founded in 2008. *Its mission is to open channels for African businesses into European markets.* This is an area that Irish and British non-governmental organisations (NGOs) had not previously ventured into. VAA acts as a ‘trade facilitator’ between African producers with retail-ready products and European businesses. VAA’s core objective is to alleviate poverty among communities in Africa through helping the development of sustainable livelihoods and raising awareness through corporate and social responsibility. They want to make it “normal” for retailers and brands to source sustainable products from Africa and to make it “normal” for African countries to process their resources before they export them.

The founding of VAA

The idea of finding a way to provide African producers with access to markets where they could export shelf-ready products came to the CEO and co-founder of VAA when he was on a trip to Mozambique in 1996. He saw large 50kg bags of cashew nuts being exported and thought that there must be a way to allow producers to trade in value-added goods - supporting them to export products in ready-to-export packets. However, it would be over a decade before his idea came to fruition.

Conall is the Director and co-founder of the small social enterprise called VAA. Prior to setting up the organisation, he had worked for many years in development charities in Ireland and abroad and had vast experience in the policy and advocacy side of world trade rules. He was aware that African producers faced severe challenges in overcoming cultural and institutional barriers to penetrating markets with value-added goods. In Ireland at the moment, there is a significant imbalance in the trading relationship with Africa. Exports outstrip imports by an aggregate ratio of 15 to one (O’Caoimh and McGauley, 2011). While working in his policy and advocacy roles the ‘cashew nut’ idea was always at the back of his mind and in 2005/2006 he along with two other co-founders², who shared his passion and belief in the idea, prepared a business plan and set about putting the idea into action. With

¹ A social enterprise can be understood as an organisation that highlights “the combination of a social mission, backed by a not-for-profit structure and an entrepreneurial, market-oriented” dynamic (Huybrechts and Nicholls, 2011:5).

² Michelle Hardiman and Prof. Matt Murphy,



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initial funds coming from family and friends, the organisation was registered as a company in October 2008 – Value Added in Africa was open for business.

Funding and Staffing

While initial funds came from family and friends VAA also sought co-funding from various other sources. They were unable to apply for certain funding channels as Irish non-profit organisations need to hold their charity registration status³ for two years to do this. Nonetheless, they continued to build capacity and develop the work of the organisation. Educational and design programmes were developed, new relationships were built and organisational policies and procedures enhanced. Today, it remains mainly funded through co-financing from Irish Aid⁴, donations from corporate and public fundraising⁵, grants from philanthropic donors and some income from the commission⁶ charged to African producers. At the year-end 2013 VAA had an income of €205,030, an increase of 35 per cent on the previous year. VAA is currently at the mid-point of a three-year funding programme that was granted by Irish Aid and due to increased support from Trócaire⁷, Concern⁸, Gorta⁹ and the Marist Fathers¹⁰ along with fundraising income, they have reduced their dependence on Irish aid to 63 per cent. While their private donations remain at a constant level, funding continues to be a challenge as the economic environment in Ireland remains difficult; a recent report indicates that 60 per cent of Irish non-profits experienced a decrease in income between 2009 and 2012 (The Wheel, 2014).

In the early years, the work of VAA was enhanced through the engagement of internships, volunteers and pro-bono contributions by companies. There was only one paid part-time employee, the Director of the organisation. After three years, the organisation was in a position to employ the Director on a four-day week basis and a sales manager on a part-time basis. Today the organisation carries out its work through a small team of paid staff along with dedicated interns, volunteers and like-minded professional organisations who work on a

³ This refers to CHY registration - The Revenue Commissioners currently grant Charity (CHY) numbers which allows nonprofit organisations exemption from certain taxes but this does not infer any legal status.

⁴ Irish Aid is part in the Department of Foreign Affairs and Trade and provides an aid programme which aims to reduce poverty and hunger by supporting long-term development on behalf of the Irish people. See <https://www.irishaid.ie/what-we-do/>

⁵ VAA received grants from the ESB Electric Aid CSR programme.

⁶ If VAA are successful in sourcing markets, a charge of 2% from cooperatives and 3% from private companies is made.

⁷ Trócaire works in over 20 countries across Africa, Asia, Latin America and the Middle East to help communities free themselves from the oppression of poverty. See <http://www.trocaire.org/whatwedo>

⁸ Concern is an international humanitarian organisation dedicated to tackling poverty and suffering in the world's poorest countries. See <https://www.concern.net/about>

⁹ Gorta works with communities in sub-Saharan Africa to assist them to move from subsistence to entrepreneurship. See <http://www.gorta.org/what-we-do>

¹⁰ The Marist Fathers mission is "to proclaim the Gospel to the people of our time, ever conscious of the mystery of Mary in the Church". See <http://www.maristfathers.ie/about/our-mission>



pro bono basis. The dedication of this team is one of the key reasons why VAA has continued to deliver on its mission.

Key Organisational Developments

At the start-up stage, the founders were working from a charitable model where they believed that retail businesses would support them because of the 'good work' they were doing but they soon realised that businesses need to make profits and they would only engage with VAA if what they were offering made business sense. Creating social value alone was not enough. They moved to a social enterprise model enabling better engagement with businesses, offering services that businesses would want to take on and moving towards becoming self-financing.

In 2012, VAA developed the Proudly Made in Africa (PMIA) label as a mechanism by which consumers can recognise authentic African products. PMIA is a standard that producers can aim to achieve - the label ensures that products are quality assured, ethically sourced, manufactured from locally grown materials and socially beneficial

In the early days VAA acted as "sales reps for producers" where they spent time trying to engage buyers, however, they did not achieve significant sales – they were waiting for 'better products' to offer retailers. After reassessing the situation a new strategic approach was adopted. In 2013, a 'Sourcing Manager'¹¹ was engaged. Her role involves building up the 'sourcing map' of African producers and their goods. This unique 'map' places them in a stronger position for engaging with Irish and UK business. VAA re-evaluated its position and what it was trying to achieve, they considered the changes to be made and had the courage to take risks and move from sales to sourcing.

The move to sourcing was a key move for VAA and brought with it the realisation that in order to create scale, VAA needed to create a channel into market for the African producers. Scale would not be achieved just through sourcing different kinds of products, a channel or a gateway allowing producers to move away from aid to self-sufficiently needed to be opened. VAA achieved this aim in several ways including the development of the PMIA label and setting up in the UK in 2012. Building on the experiences of the early days in Ireland, VAA took a different communication approach – they moved from "cold calling" and "pitching" to buyers. Instead, they negotiated meetings with management where they highlighted how organisations could achieve their strategic goals through distributing quality, ethically-sourced African-made products. In addition, setting up in the UK has highlighted the "on the ground" expertise that VAA holds and how that is valued by the UK retailers and distributors. They realise now that they are in a position to offer a consultancy service to this sector. Establishing VAA UK has proven to be an advantageous move.

¹¹ The Sourcing Manager is also a co-founder of VAA.



In the six years since its establishment, VAA has built up knowledge with over 450 companies in 29 countries, all of which use local inputs and ingredients. They have also built a network of technical experts on the ground in Africa. These individuals provide expertise in production of garments or foods. They go in factory and support local management and ensure that products come out right and on time and get through port without delay. Based on these two developments VAA now offers supply-chain consultancy to European retailers and brands. This 'offer' has crystallised VAA's shift from a charity, donation-dependent model to a social enterprise.

VAA did not initially view itself as a Development Education organisation but there was some expectation in the sector that education would be part of their service. After securing funding and with the knowledge that the 'gate keepers' to accessing key retailers are those that make the business decisions, they set about educating business students, the future decision makers. They aim to highlight businesses role in reducing world poverty and removing biases towards 'doing business with Africa'. Education is a key element of VAA's work, adding value to their work and enhancing their 'core' mission. In January 2014, a PMIA Fellow in Business and Development was appointed. This joint initiative, with the UCD¹² School of Business, aims to better inform business students and shift their mind-set on Africa as a place to do business.

Relationships and Networks

Having a network of contacts is key for social enterprises, providing them with access to funding, board members and staff (Austin et al. 2006). VAA learned that knowing who to talk to and which contacts to make was going to be essential to the development of the organisation. Throughout the years, VAA built relations with stakeholders in Ireland, Kenya and the UK in the business, government and NGO sectors. These relationships were and continue to be important in providing information on producers and enabling meetings to be arranged. These include the Department of Department of Foreign Affairs and Trade (in Ireland), African embassies, the Export Promotion Councils of Kenya and Ghana, Connect Ethiopia, Traidcraft and others. VAA has also made links with Forum for the Future¹³ which has enabled them to link with major UK retailers and brands. These strategic relationships that have been built and nurtured enhance the work of VAA and help reduce the risk for retailers, offering them a "network of production experts".

VAA have also developed a number of key partnerships with other organisations. These partnerships enhance VAA's work and include the following: the Strathmore Business School in Nairobi, ACTIF industry federation for cotton and garments, Umati Solutions (mobile app development), Responsify (Ethiopia) and Ka Tutandike (UK and Uganda).

¹² University College Dublin.

¹³ This is an independent non-profit organisation working globally with business, government and other organisations to solve complex sustainability challenges.



Key Programmes

As well as offering supply chain consultancy VAA offer three key programmes. Through the *marketing* programme VAA works with African producers, building their capacity and organising meetings throughout Europe. The *packaging design programme* involves top-level Irish and British design companies who work with African producers to re-design their brand identities for the European market. This service is carried out at a hugely reduced cost for the producers who are the key decision makers throughout the process. The *networking* programme aims to create a forum for African business leaders to network and exchange business ideas. Events are organised in collaboration with partner organisations, for example, the Strathmore Business School in Nairobi, and provide an opportunity for practical networking and sharing of knowledge among the producers.

Conclusion

Value Added in Africa is a unique social enterprise that is governed by a joint Irish/UK Board of Directors. It operates in a field that Irish and UK NGOS had not previously operated in. The founders were passionate about the idea of enabling entry to market for African retail-ready products which they believed would help local communities to increase their income and move beyond aid to sustainability. To this end, they established an organisation with a mission **to open up a channel into international markets for value-added, processed, retail-ready African made goods.**

They offer supply chain consultancy at both ends of the chain to European businesses and African producers, a key distinguishing feature of the organisation. VAA helps African businesses to add value to their products, preparing them for the global market where they can attain higher prices. Over the years, VAA has strengthened its position and knowledge base, through building strategic relationships and partnerships, carrying out strategic reviews and building a network of technical experts on the ground. Its reputation among the business community has grown substantially, indeed, in June 2014, they, along with Forum for the Future met with representatives of the House of Lords. Value Added in Africa emerged as a result of the passion of a small group of people who believed that change could be made. It is a relatively young organisation that has achieved much with limited resources and has stayed true to its mission. They had to adapt their business model and review organisational strategies on an on-going basis, learning as they developed, continuing to learn from each opportunity and risk they take.



Suggested Questions

- 1. Identify the main stakeholders in VAA's work.**
- 2. Taking the perspectives of 3 different stakeholder groups - identify the main strengths and weaknesses of VAA's service from each point of view.**
- 3. What are the characteristics of a social entrepreneurship venture, and how does VAA meet the criteria to be seen as such?**
- 4. What were the key decisions/developments that VAA took over the first number of years in operation and what lessons were learned from these?**
- 5. Considering what you learned from the case and in this class – where do you see opportunities for VAA to scale in the next 10 years?**
- 6. What global themes can you identify from the report, and how do they link to this class?**
- 7. What are the main challenges in establishing and maintaining a successful social enterprise?**



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