



The Business Machine
development through entrepreneurship

Project Proposal

to trigger development in Ethiopia through commercial projects

Abstract

The Business Machine is a platform that intends to facilitate business investments and knowledge transfer from Europe to Ethiopia and provide opportunities for people eager to get involved in a different kind of development work. The key conviction is that the creation of profitable business ideas is one means to overcome the syndrome of dependency often observed in developing countries. Therefore, the identification of promising business ideas is part of the process and not given from outside.

To test the feasibility of the idea, a first pilot project will be launched in 2010. In contrast to conventional approaches, *The Business Machine* only provides a few rules and a rather loose frame of constraints.

A team of motivated persons from both Ethiopia and Europe, all willing to invest some time and money in a new business project, will be selected in the course of the next few months. In a one-week meeting in Ethiopia at the beginning of 2010 this team will come up with possible project ideas. The implementation will start as soon as a clear selection of the ideas and a convincing business plan have been worked out. The "entrepreneurs" from Ethiopia and Europe will carry out the implementation of the project together and share profits or losses.

If the pilot project proves to be successful, *The Business Machine* will be implemented as a platform for other projects. Risk capital sought from external sponsors will be made available for these projects. The principle of close collaboration and joint implementation, the spirit of entrepreneurship where risks and profits are linked closely, a mix of broad competences in an atmosphere of intercultural exchange and the principle of "brain gain" (highly educated and skilled people from the south get an opportunity to stay in their country, at the same time expert knowledge from the north is brought in) will form the cornerstones of *The Business Machine*.

Table of contents

Main principles underlying <i>The Business Machine</i>	3
A personal perception of today's development work (by Stephan Brun)	3
An entrepreneur's attitude as proof of confidence	4
Profits in development work: no sign of day robbery	4
Seize potentials through innovation	5
True partnerships and intercultural collaboration.....	5
Details about the first pilot project	6
General principles of the platform.....	6
What a project might look like.....	7
The next steps for the first pilot project in Ethiopia	8
Phase 1: selection of a project group	8
Phase 2: intercultural creativity meeting.....	8
Phase 3: joint implementation	10
Annex 1: Preliminary schedule of the pilot project and the platform	11
Annex 2: Bibliography.....	13



Picture 1: Ethiopia, a country between tradition and modernity

Main principles underlying *The Business Machine*

A personal perception of today's development work (by Stephan Brun)

When I worked in Addis Ababa (Ethiopia) for one year, the huge number of good development projects I saw impressed me a lot: Organisations working for street-children and poor families, creating job opportunities for young people, giving shelter for elder people with no social security, teaching the development of urban agriculture, making prostheses for people with disabilities...

Most of the projects seemed well thought out, based on a clear concept and carried out by motivated and competent people. Yet, after a while I began to feel suspicious. Just like all human beings, Ethiopians, too, are clever people. They behave rationally most of the time. I started seeing children "hopping" from one NGO project to the next. I saw young people learning professions, and even though these professions would not offer them a bright future, they underwent the training just because it was offered by an organisation. And I realized that so many people were just sitting all day and waiting for God, faith, family or an organisation to improve their situation. I suddenly had the feeling that a whole people was just trying to satisfy – very rationally – a big "aid-industry". By remaining in their state of helplessness, they offer opportunities for many NGO to help.

This is, of course, not true for everybody: There are with no doubt many people in need. Nevertheless: Couldn't it be that with the best intentions and convincing projects on a micro level a whole country was – on a macro level – being brought to lethargy just waiting for somebody else to improve its situation? Or was I just biased by my western culture and did I not understand the Ethiopian social mechanisms and their benefits?

I realized, however, that other people, even from Ethiopia, had a similar feeling. In his biography, Haile Gebrselassie, one of the greatest long distance runners ever and at the same time a successful Ethiopian businessman, says:



Picture 2: Famous runner Haile Gebrselassie

"[People] have to become responsible for themselves and their families. To depend on foreign food is to stop living for yourself. I remember when I was a boy my father used to put enough grain and maize into reserve to last for a year. We always knew that we had something to live on if there was a drought or a flood. But today farmers don't do that. Not when they know that one of the 200 relief agencies based here will provide food for them. [...] We need Ethiopian businessmen who aren't afraid to change traditions. [...] But they can't simply follow American or British ways. They have to remain Ethiopian; they have to live and act as Ethiopians do." (Denison, S. 54)

Helping, even with the best intentions, often is an act of arrogance through which people are incapacitated. This doesn't seem to be a new finding. Dervla Murphy, who travelled through Ethiopia in the nineteen sixties, wrote:

"[...] the worst irritant [...] was the inability of so many foreigners to regard the Ethiopians as fellow-humans; it is indeed shocking to think that hundreds of complacent Westerners are sitting in the capital drawing fat salaries for 'helping' a people with whom they have so little sympathy that effective help is impossible." (Murphy, S.277f.)

An entrepreneur's attitude as proof of confidence

Haile Gebrselassie expresses his conviction that Ethiopians must change and develop entrepreneurial spirit to assure development. It is easy to accept a well-paid and very safe job in an NGO even if one has doubts about the effectiveness of its program. If somebody believes in the necessity and the success of a project, he or she should be willing to take risks on his/ her own.

But the same is true for people in the west: In Switzerland, for example, it is many young people's dream to work in the field of developmental aid. Yet as long as development remains a "job" there is a big chance that those well-educated men and women continue to contribute to the syndrome of dependency described above.

Even the very noble gesture of volunteer work may be in this category of well-meant but harmful actions. Without a strong conviction that a developing country has a great potential, most of the measures taken will be futile and the perception of the people from the south remains that of poor, incapable subjects that need help.

The logical consequence would therefore be: "If I believe in the potential of a person or a people, I am convinced that they can succeed. If they can succeed, there is potential future profit. And as a consequence, everybody who believes in this success should be ready to take personal (financial) risks."

In this logic the world would not need more development work, but more (young) development entrepreneurs ready to risk their own money because they believe that together with capable partners they can change the world.



Picture 3: Market area in Addis Ababa

Profits in development work: no sign of day robbery

In the context of relations between the countries of the north and the south the word "profit" often has quite negative connotations: History has taught us that, too often, profits were just on one side, while the other side was exploited and humiliated. Western countries squeezed out natural resources and brought people to slavery. Part of today's wealth of the west comes from this unjust exploitation.

Yet mourning the past and moaning or blaming our ancestors for today's situation will not change anything. Guilt is not a good starting point for future-orientated development. Therefore, profit should not necessarily be seen as a synonym for exploitation.

In any business relationship, profit is the measure of success and the capital for future investments. If profit is based on innovation and hard work instead of extortion and short-term thinking this will result in a win-win situation where the one side's gain is not equal to the other's loss.

The Business Machine wants to be a clearly profit oriented project. Profit shall be the measure of success. Only an innovative, well-designed project will be able to prevail and create added value to bring the country and all the involved entrepreneurs a step further. The project has to be self-sufficient and the capital invested by its shareholders has to produce standard returns.

Yet striving for profits will not be the one and only goal to which everything else has to be sacrificed. Ethical, social and environmental aspects will be the cornerstones of the project. Such guidelines protect any enterprise against being seduced by quick gains as well and it acts as a watch dog for sustainability.

Seize potentials through innovation

Economically speaking, compared to the west, Ethiopia and many other countries in the south are poorly developed. At first glance, this doesn't seem to be a promising starting position for a business project.

Yet, a positive reframing of these facts renders a different point of view: Relatively low economic development means that there is great potential for catching up and that there is much unused potential. For young entrepreneurs, Ethiopia can be the very first opportunity to start their career: There are many economic niches not yet occupied. Markets are young and business opportunities are still open for development. Unlike in countries in the west, not every good idea has already been thought out and set into practice several times. And finally, a developing country gives the opportunity to start a business with relatively small amounts of capital: as in many other economies, small and medium-sized enterprises can become the driving force of innovation and growth. Especially business in the service sector is easy to start and promising as labour costs are comparatively low.

As many other countries in the south, Ethiopia is suffering from a considerable brain drain problem: The well-educated work force is leaving for other countries. The economical losses of this migration are dramatically lowering the returns a country has on its investments in education. *The Business Machine* wants to contribute to turn this trend around by offering opportunities in the country and by bringing in motivated foreign business partners. Thanks to this "brain gain" and the creation of small and medium-sized enterprises the Ethiopian economy receives sustainable input for future development.

True partnerships and intercultural collaboration

Participation of local people is, to a certain degree, part of every development and business project. It has become a common understanding that any kind of activity must be rooted in the local community and that knowledge about regional cultural standards and customs is crucial for success. Cases where this so-called local "ownership" is put into practice are, however, rare, and the kind of local involvement varies a lot between projects: Most business and NGO gives responsibility for operative questions to local people. Some go even further and include regional knowledge in the phase of project design. However, the type and content of the activity is always given from the outside in advance. This domination of external stakeholders can result in poor outcomes: Local people do not orientate their actions to their most urgent needs or to the most promising business activity but, rather, focus on topics given by external donors or partners.

Consequently, *The Business Machine* wants to try out new paths in the field of joint development and implementation. To start with, the phase of project selection will be designed as a mutual decision of foreign and local investors. Thanks to a pool of people with different backgrounds from Ethiopia and Europe, various knowledge and experiences shall come together to find, design and implement innovative projects.

In an intercultural learning environment where different attitudes and experiences meet and discuss, diversity is used as an asset to find creative solutions for non-standard challenges.

Details about the first pilot project

General principles of the platform

The Business Machine brings together people from Europe and Ethiopia who are both ready to launch a project. The two sides bring in their own ideas, act as entrepreneurs and are therefore ready to risk a certain amount of capital. This capital will be brought in as money and/ or as working hours. The entrepreneurs are the owners of the project and not hired as employees. The details will be worked out as the project develops. This process is part of the concept of joint development and implementation.

People can either join an existing project or found their own business. If a match between people from Ethiopia and Europe is made (agreement about a business idea), a detailed business plan has to be worked out. The partners bring in a certain amount of starting capital. If this initial money is not sufficient for the project start, the partners can apply for additional money from an external fund. This risk fund of *The Business Machine* will be set up by private money or donors. It will scrutinize applications and decide about the amount of and the conditions tied to the risk capital given to the project. This capital has to be paid back with interest during the development of the project.

Should the pilot project be successful, a detailed analysis will show if it is possible to finance the platform part of the program with external money. In contrast to the general principles it might make sense to seek support from public money for these initial activities like the network for matching partners from the different areas. It would, however, not be in line with the current philosophy to support a whole business as this would mean an abandonment of the principle of entrepreneurship.

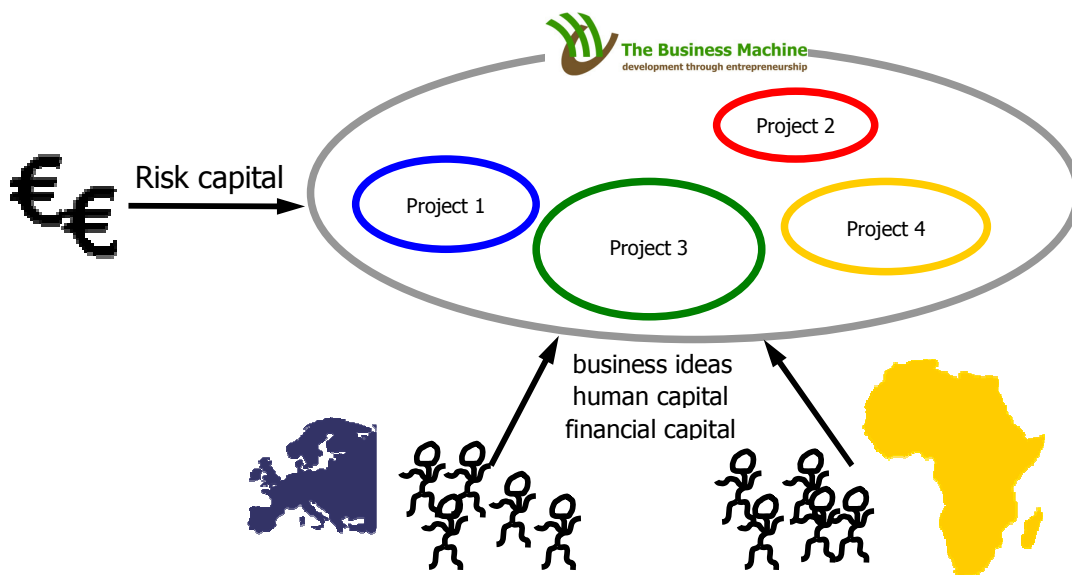


Illustration 1: The principles of a platform

It is up to the specific project to decide what the collaboration between participating entrepreneurs will look like. Commitment and dedication to the project are crucial. Yet different patterns of collaboration are conceivable, depending on the kind of project chosen. It might be necessary that Ethiopians and Europeans work together in Ethiopia during long

periods of time. The other extreme pattern might be that after the first meeting and the creation of the business plan no more physical contact takes place and both partners each work on their side of the common project and communicate through electronic means. In between, all other forms of collaboration are thinkable, too.

What a project might look like

It has been said several times above: The exact content of the pilot project will be decided in the course of the first phase (joint meeting). This decision will largely depend on the people involved and on their competences and ideas. It is therefore not possible to give concrete examples. There are no limits to creativity and projects might range from a classical counselling company to a specialised handicraft to a computer business, a trading relation or a production activity in the second sector. As long as it is done in a creative and innovative way and with a realistic chance for success and profit, anything is possible according to the motto: "Jump into the water to discover what you will find beneath the surface!"



Picture 3: Addis Ababa, slum area in front of the luxurious Sheraton hotel

The next steps for the first pilot project in Ethiopia

To test the feasibility of the approach, a first pilot project will be launched during the year 2010. According to the intentions of *The Business Machine*, the concrete business idea will only be worked out during the process of development. The following sketch is therefore just an overview of what this process might look like.

Phase 1: selection of a project group

The project will be advertised through different channels appropriate to the country (personal network, internet, newspaper advertisements). If necessary, there will be a public meeting where the idea is explained in detail and where potential participants can ask questions and get more information they need for a decision.

Every potential participant will have to fill in an application form and explain his/ her motivation. In Ethiopia and in Europe there is one person in charge of this advertisement process (project facilitator Ethiopia and project facilitator Europe). Both of them carries out a very rough selection to filter out applications that do not fulfil basic requirements. Should there be too many applications, there may already be a first selection to reduce the number of persons which should not exceed 10 to 15 persons per partner group (this selection will however be very formal and not based on quality criteria!).

The accepted applications of every country enter the so-called pool. During the preparation phase these people will work on planning the joint meeting in Ethiopia (see below).

To choose the people to participate in this pilot meeting in Ethiopia, a cross-selection procedure is carried out: The pool of every part (Europe and Ethiopia) receives the applications of the other side and short lists approximately 3 to 7 persons using their own criteria (for example those persons that look very promising to the project). A balance of qualifications, gender, age etc. is encouraged to guarantee the diversity of people needed for the project launch.

It is possible for persons who are not selected and who do therefore not participate in the joint meeting in Ethiopia to stay in the project, to continue working in their country and to join in later during the process of development.

Phase 2: intercultural creativity meeting

The selected people form the initial team finalise the preparation of half of the joint meeting that will take place in Ethiopia. The cost (flight, board and lodging, fees etc.) for the first meeting will be covered by the (European) participants.

During one week approximately, they meet in an open, creative atmosphere. The meeting will consist of getting to know each other and discovering the strengths of all the persons involved. The second, larger part contains several brainstorming sessions in which at least 5 business ideas will be created. Creative informal methods will be used to think "outside the box" of conventional ideas. This phase will be crucial for the whole project as these decisions will influence the further development of the whole process. Much stress will therefore be laid on the preparation of this creativity meeting, leaving at the same time enough flexibility for the intercultural environment in which it will take place.

The final goal of the week is to have a draft of at least one of those ideas that will be followed. After that a plan about the continuation during the next few weeks and months must be made available.

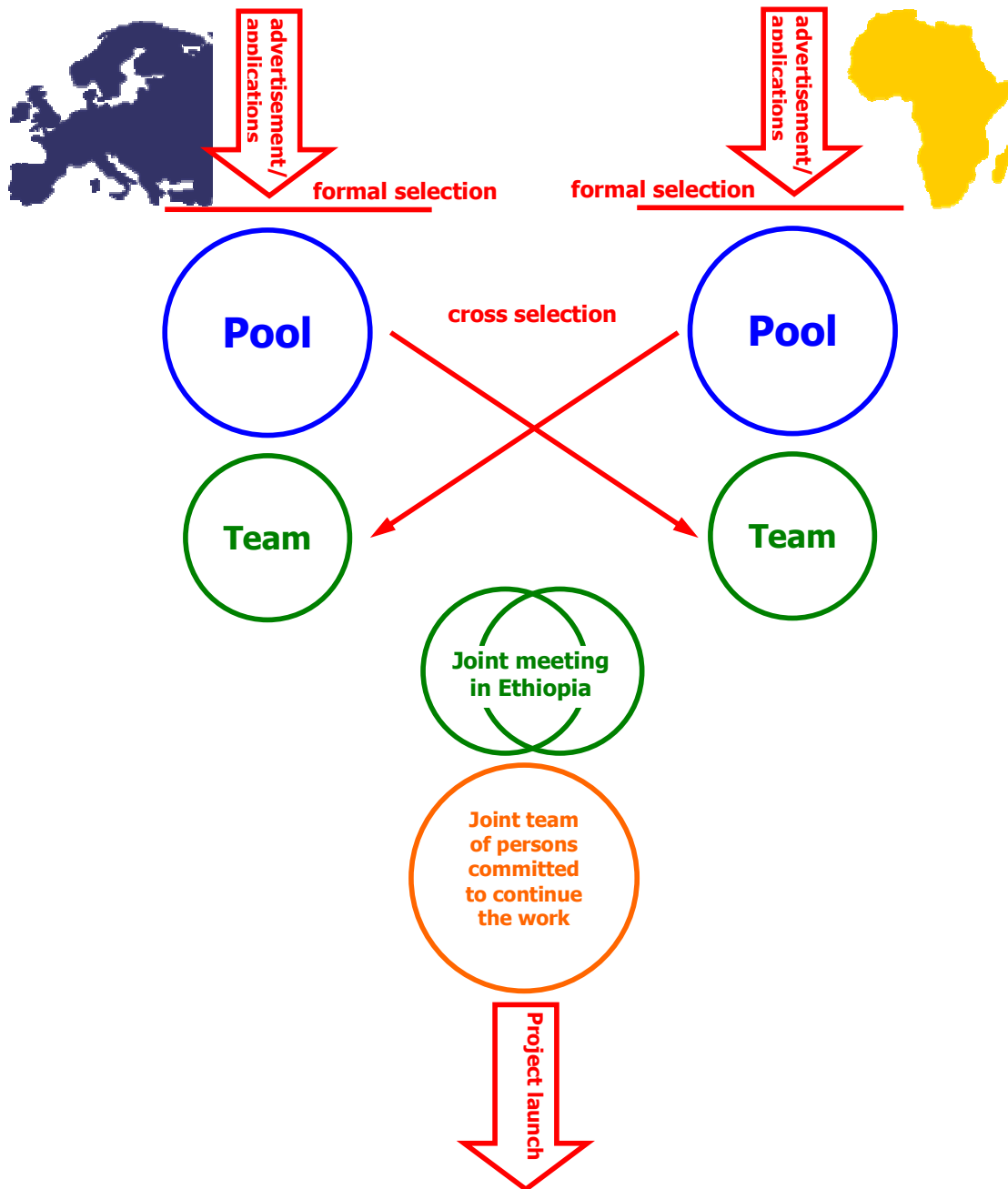


Illustration 2: the first steps of the pilot project

After the meeting, every person involved has to decide about his or her willingness to continue. This will somehow be the point of no return. It is possible to participate in the meeting and to contribute just by curiosity. But after the project has been decided everybody will have to declare his or her personal involvement. A contract between all the remaining (and potential newly added) partners will mark the starting point of the joint (ad)venture (the legal basis for such a cooperation will be laid after the pilot meeting and possible forms of collaboration will be worked out with a lawyer). In the course of the further development

it will become clearer for everybody what the cooperation (how long and how often in Ethiopia etc.) will look like.

To assure the entrepreneur commitment, every partner will have to make an investment in kind (work) or money to the project. The financial contribution will be defined during the pilot meeting in Addis Ababa and it will be individually adapted to the financial capacities of the partners. One possibility would for example be to ask a contribution of a one month salary from everybody. Working time given to the project on the other hand will be mathematically converted into money. To keep the entrepreneur's principle, it is however not possible only to invest working time (then it would rather be volunteer work) or money (then it would be pure investment). So a certain balance between the two factors will have to be sought during the pilot meeting.

The personal contributions in kind and money will be taken into consideration to calculate the share the partners are holding of the project. In case of success, the net benefit of the business project will be distributed to the share-holders in accordance to their contributions.

Phase 3: joint implementation

The phase of implementation is not yet worked out in detail as it will largely depend on the project chosen during the joint meeting in Ethiopia. Immediately after the signing of the business contract, preparation work will start. The first steps of implementation will probably be done in the background (office): the set-up of a convincing business plan, facts and figures of the project, projections of capital needed and expected gains (time of break even etc.), clear statements about the projects vision and mission, the setting of a legal basis for the activity, identification of partners, customers and competitors etc. It will be crucial to define clearly the responsibilities and to allocate the tasks to work on. Initially, communication between partners will have to be stressed as they are not physically present in the same location.

The time of preparation and therefore the date of the actual start of the project will depend largely on the field and the scale of the chosen activity. As a first guess, a date in summer 2010 might be more or less realistic.

Besides the implementation of the pilot project the general frame of *„The Business Machine“* will be carried on during 2010. The aim will be to finalize all the legal questions, to identify partners and potential participants, to find risk capital and to break down the different parts of the platform.



Picture 4: Construction site in Addis Ababa

Annex 2: Bibliography

- Murphy, Dervla: In Ethiopia with a mule. London 1994 (Flamingo), originally published in 1968.
- Denison, Jim: The Greatest - The Haile Gebrselassie Story. Halcottsville, New York 2004.



Picture 5: Ethiopia, a beautiful country. Barley field in a rural area.