

Empowering a new world of entrepreneurs

An interview with Stephen Brenninkmeyer, CEO of the Andromeda Fund



Q: What has driven you to create the Andromeda Fund ?

Entrepreneurship is the key to prosperity. Andromeda aims to invest in the best entrepreneurial talent (high-growth innovative entrepreneurs) in those countries that most need it. I am continuing a tradition which my family has pursued for 6 generations, now attempting to reach those parts of the global economy that have not yet been reached. Entrepreneurship which not only pursues the profit motive, but which is socially and environmentally directed: small and medium sized companies in the health, education, trading, IT and "solutions" sectors.

Q: Why is this the best time to invest in entrepreneurs ?

Since the fall of the Berlin Wall, we have witnessed a process of liberalization of markets and industries, worldwide. There are more and more democratic societies with liberal governments intent on securing prosperity for the majority of people. Most of these governments are now pursuing "enterprise development" strategies and quite a few are directing the drive and imagination of entrepreneurs towards social

and environmental well-being, which of course, is also economic well-being. Governments and development agencies have realized that to reach the billions of people living under \$ 1,500 per annum, entrepreneurship is the only way. No public policies alone can do that. We are witnessing a real revolution, the enterprise revolution. Provided it is directed at human well-being, and not at speculation or market-rigging, entrepreneurship, within a fair and level playfield, will provide the products and services which the world's majority wants. Global prosperity is what it aims at.

Q: You have referred to BOP markets. What are these ?

Base of the wealth pyramid, where 4 billion are and possibly as many as 6 billions by 2020 will be. People living on less than \$ 1, 2, 3, 4 per day, nearly three quarters of the world's population. BOP markets operate differently from established Western markets. They exhibit abundant labour and scarce capital. Income levels are very low and thus unit product costs must be low to create a market. Volumes are high. BOP economies are cash economies: purchases are paid in advance, credit is limited to micro-credit but not yet universally so. At the higher end of BOP markets, SMEs constitute most business. There are 75 million SMEs in the world, and their number is growing rapidly.

Q: In such economic conditions, what are the driving sectors and technologies ?

In the SMEs' markets do-it-yourself products, such as home building and decoration, tools and related equipment; shared-access

services, such as transportation, telephony, internet, water technologies, health services; franchisable solutions, such as IT kiosks, car repair, basic health like eye, sight and hearing; leap-frogging technologies, such as mini-GSM telephone installations and smart cards; emerging brands in the fashion and home decoration businesses, or beverages and ethnic foods; fair-trade products such as honey, jams and other processed foods; labour-intensive manufactured goods such as garden furniture, handicrafts and tailored clothes. Others, like transportation, market-access provision and goods distribution are also key.

Q: That's clear. But how do you chose in this space ? In other words, what are the Key Success Factors ?

Andromeda's slogan is "By entrepreneurs, with entrepreneurs, for entrepreneurs". What we mean by this is the criticality of the entrepreneur in the value chain of the businesses we invest in. Picking high-potential entrepreneurs with the right product in the most profitable niches is one of our distinctive competences. It's key really, the first success factor. Secondly, and hand-in-hand is avoiding the duds, by spotting the flaws that may inhibit the business from thriving. Thirdly, risk-minimization. BOP markets are fraught with risk (political, legislative, fiscal, bureaucratic, accident likelihood, managerial, product quality, natural disasters, etc.). This can be achieved in several ways: 1. investing in Western companies only, 2. ensuring that long-term sales contracts are in place at favourable terms with reputable distributors, 3. pursuing an active