

The Accesserator Story

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Chapter 7: Valley of Death

As we finally understood we are in the valley of death, for the first time we asked ourselves: what does this ‘missing middle’ that we are trying to fill look like? What are the features? And for what good reasons did no one invest in it before... Were we hunting mice with a bazooka? Or elephants with a mosquito net? To recognize where you actually are, is the beginning to start a new way up, but it took us some time before we were able to zoom out and oversee the whole picture.

It was in this moment of stand still that we discovered we did not invest in start-ups, but in companies (and in most cases the entrepreneurs) that were not ready for investment yet. We wanted to support them so badly that we oversaw the importance of an actual proof of concept in either the business or the entrepreneur. Or maybe we overestimated our own influence in these businesses. Whatever it was, transforming a business idea into a commercially viable company is something that takes time, endless effort and overcoming all types of difficulties.

Support	Capacity Building	Incubator	Mandatory BDS	Optional advisory
Business stage	Business idea	Proof of Concept	Start-up	Scale-up
Financing	Friends, Fools & Family	Angel Investment	Seed Capital	Venture Capital

To bridge the gap between ‘a business idea’ and investment readiness for full commercial capital can’t be done in one step as we tried to do. Or to put it more clear: it can’t be done in a full commercial model as the trial and error stage of start-ups is too costly and the gap is simply too big. The acceptance of the truth that our business idea failed hit us hard, and had many implications regarding our finances and network. We had to take time and a step back to pull ourselves together again. Writing this story is part of our mourning and accepting our failure.

This insight became most imaginable on Monday the 26th of October 2020, sitting on a wet bench in the park with a cup of tea, together staring at nearby water and dogs that were passing by. Probably already for some time we knew it, but taking some time away from the office and share our thoughts and feelings about what was going on with Accesserator was needed to get insights about our position. We only had to force ourselves not to think about possible solutions. Running up and down, chasing opportunities and do all kind of overhead activities brought us deeper in the valley of death. To get out, we had to sit and see what is going on. From personal experience, this is not the most fun part.

So, for the first time, we started to analyse the problem of Accesserator, and the problem that we tried to solve in Malawi. We spoke to experienced people in the business, not to pursue their collaboration but to share our position and hear their thoughts. And ultimately, we listened very well to our partners in Malawi without any judgement or direct opinion.

Our conclusion after some months was that Accesserator was equipped with the wrong tools:

- Inadequate staff to be our eyes and ears in Malawi, and execution power
- Expensive office that was part of a package deal with no additional function than purely providing a space for employees to work
- Image of 'giving away money', as the concept of shareholding did not find any ground of understanding and/or valuation to be useful
- Attracting 'wrong' type of entrepreneurs
- No close network in existing ecosystem (e.g. banks, NGO's, hubs), that are dealing with the problem of Malawi for centuries.

Besides this, we discovered that the problem that we tried to solve and the methods we choose to do so were lacking on multiple sides:

- Attracting money in form of loans, and providing money in form of equity to start-ups is a combination doomed to fail. Any delay in payment from Malawi would directly result in problems with repayment of loans in Holland, despite the long term payback we agreed with investors.
- Suitable start-ups for our type of equity investment are not in our portfolio as they need room for trial and error, instead of growth capital. It requires too much money, especially because of needed lead time, that it is almost impossible to fully recover any type of investment, including a loan.
- Trying to create a start-up from just an idea only on paper (without a proof of concept) doesn't work: no company or entrepreneur at that level can meet all criteria. This insight meant that in 2019 and 2020 we all of a sudden couldn't find any suitable investment... and when we did, no money was there anymore (and COVID came).
- Providing paid consultancy to our own investments is useless. First of all, there is a strong mechanism that Malawians accept advice if you bring money and not when you take money. Secondly, our partners knew that we would provide consultancy whether or not the company paid for it, as a partner we had an interest to save the company.
- The missing middle in Malawian economy exists for a reason, and solving this requires more patients and cash than we could ever had foreseen.

These new insights brought us to undertake the following consequences:

- We had to let go all our staff, at least end all paying contracts
- We only have virtual offices and hot desk options left
- We had no cash at all, or any ability to travel
- We were not able to pay back investors
- We could not attract more money as our story was incomplete
- We were not able to invest in Malawian start-ups

Finally knowing that we were on a dead end, we lost all our energy and enthusiasm for some days. Or maybe even weeks. Our mission to support Malawian entrepreneurs, create an equal playing field in opportunities and contribute to the SME ecosystem looked further away than ever. Accesserator was back to the level with just the two of us, but now with a broken dream, and a pile of commitments towards people that believed in us and our mission. A combination that gave us some sleepless nights.

A travellers' journey

We realised this area of dunes is huge, far bigger than we can ever travel. All types of animals seem to live here. Do these dunes even stretch out all the way to the Atlantic Ocean? So many questions, so little answers. What were we thinking, trying 'just to conquer' the sand dunes of Sossusvlei.

We walked back to our car and remembered the hint to lower the tire pressure to be able to drive through loose sand. That trick worked indeed, and we drove to a place with a few trees to be in the shade. So, there are trees here. Looking around and really absorbing our environment we saw so much more details. Another car stopped at our place, it came from the other side, as there also was another side apparently.

We had a chat and this couple came from a place with still some water. That sounded both unbelievable and intriguing at the same time. But, first lunch, as we hadn't eaten since the early morning breakfast and needed some time to think through what to do next.

- Don't focus on the bad decisions in the past, it will drain your energy and does not provide you the open mind-set needed to oversee what is in front of you.
- Informal economy makes it impossible to get your rights and enforce contracts.
- Keep in mind that incentives on daily operations are different from long-term strategic issues. Try to find time to zoom-out and see where it is going, instead of only celebrating small victories.

It doesn't make sense to help somebody in Chapter 6, with the lessons from Chapter 7.

Example Truss Group:

The company started with an environmental mission, cleaning plastic from the streets of Malawi and turn it into reliable construction products. When testing the concept, everyone was supportive and thankful for such a great initiative. But when the machinery arrived and tons of plastic was needed, a lot of new obstacles arose that would make the initial business model (using free plastic) obsolete. Soon the owners realized they were on a death end. With governmental bodies opposing to their concept, they made the analysis that it would only be viable as a foundation.

Example CourteCand:

After having tried 3 cycles of crops, this farming company was out of cash, energy and ideas. Giving up the rented land and even selling of the diesel pump to pay arrears made the company hit the bottom of the Valley of Death. Analysis made them realize their business model was to fragile as it depended on one PMC (selling to FarmRite), crop management was not good enough and the chosen land was to far away from their market. Our partners had to let go of their dream for a while and take a job to sustain themselves. The conclusion 'this was not the right way to set up their farming business' (so understanding they ran of a Mount Stupid) had landed.

Key take aways

- Be resolute in your position to others. Any form of ambiguity creates room for others to provide unneeded and unwilling advice that needs action from your side. Otherwise, the other will feel disappointment that you didn't follow-up on the advice.
- Remove the abilities for speculations when discussing your situation with others, by being as specific as possible and provide the whole context. Only then you will get recognition for the situation.
- If you are able to mention what YOU have learned and what YOU could do better, others will value your learnings. If you only discuss external factors, no one will believe you and will not help you in a later stage.
- Create time to mourn!!
- Are you able to look in the mirror and accept what you have done wrong? If you go to your network with this story, you might be able to face them and drink another beer together.
- Get rid of all burdens, but store some things that might be important in a later stage. Employment to freelance, hot desk instead of office.
- Lifestyle or growth? It's not an issue now.