



**nestor**advisors  
A MORROW SODALI COMPANY

Member of the UN Global Compact SDG Ambition Programme



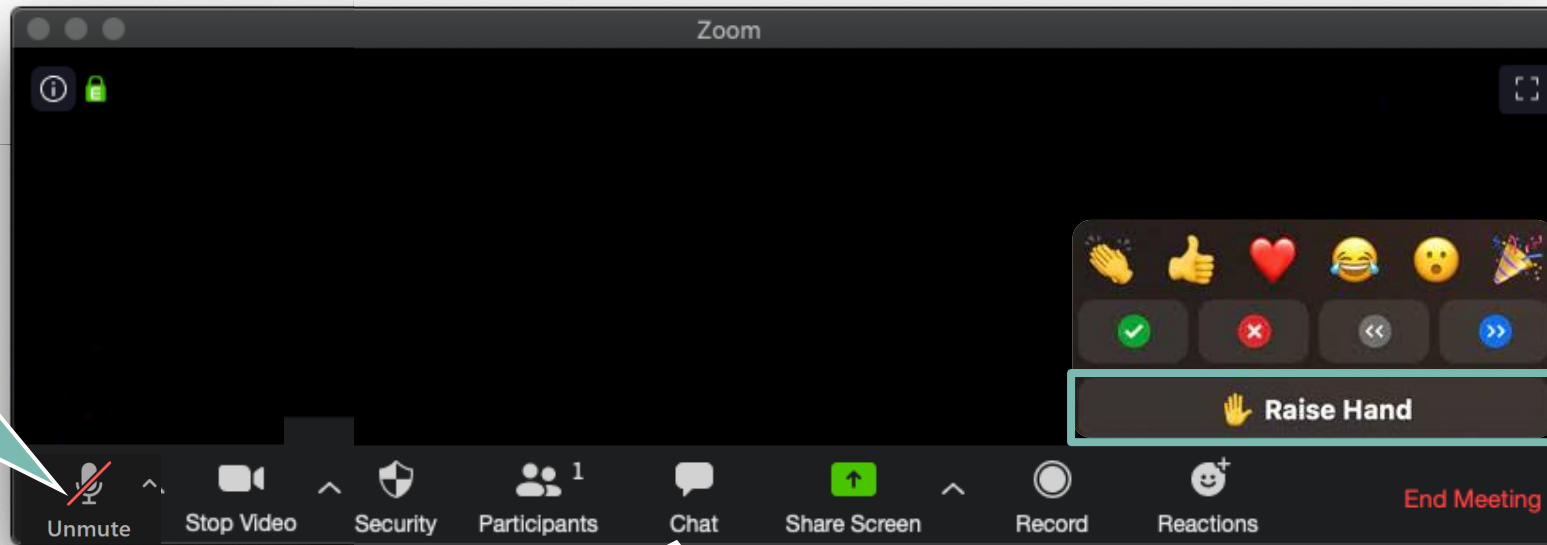
# CORPORATE GOVERNANCE TRAINING FOR EARLY-STAGE OFF-GRID SOLAR COMPANIES

## TRAINING 2: CORPORATE GOVERNANCE APPLICATION TRAINING



21<sup>st</sup> December 2021

# RULES OF THE GAME : RECAP



Please keep yourself muted unless you are invited to speak

Post any questions you have in written form (if you prefer) here

To ask a question, use the raise hand button and the presenter will invite you to speak

# TRAINING AGENDA

Session 2		Indicative time
Introduction and case study recap: Solaris		15"
Part 1: Early Stage	Recap of Stage features	30"
	Breakout rooms discussion	
	Presentation and Plenary discussion	
Part 2: Active Growth	Recap of Stage features	30"
	Breakout rooms discussion	
	Presentation and Plenary discussion	
Part 3: Organisational Development	Recap of Stage features	30"
	Breakout rooms discussion	
	Presentation and Plenary discussion	
Wrap-up and questions		15"

## TRAINING OBJECTIVES

---

- ✓ To actively apply the core corporate governance concepts learned in last week's training session through the case of Solaris, a fictional Kenyan OGS company;
- ✓ Meet and interact with other members of the OGS sector;
- ✓ To practically understand the value of corporate governance and better identify how early-stage OGS companies can benefit from early-stage implementation;
- ✓ Discuss how to apply the lessons of Solaris to your business and its growth.

# SOLARIS: CONTEXT AND MISSION



- Solaris is a Kenyan OGS company, founded by Brian Roberts in 2012.
- Brian recognised a reliance on dirty and (relatively) expensive forms of energy to power off-grid communities in rural East Africa and set about developing a range of clean, solar alternatives.
- He has extensive experience working in the region for large power companies, but no experience founding and running a business.
- Solaris's main products are a set of solar "kits" containing solar panels, mounting brackets, connectors, cables, and other components designed for on-site assembly by the purchaser.
- The company also sells stand-alone solar battery-powered home appliances such as cookers, or cooling devices.





**nestor**advisors  
A MORROW SODALI COMPANY

# CASE STUDY PART 1: START-UP

---

# RECAP: START-UP



## START-UP (STAGE 1)

Enterprise focus	<ul style="list-style-type: none"> <li>• Developing products</li> <li>• Testing the market</li> </ul>
Revenues	Loss making

## START-UP RISKS

### Risks for investors

- Need for business to develop accountability structures and basic systems/policies.
- Founder makes all decisions, big key-person risk.
- Mixing of family and business interests.
- Unreliable and biased communication about performance.

### Risks for business

- Rush to implement rules/procedures that reduce company's agility.

## SOLARIS: START-UP STAGE

- Provide rural communities with access to pay-as-you-go solar kits and solar battery powered home and kitchen appliances.
- Single warehouse and an office near Nairobi, using local partnerships to deliver products and provide support
- Advisory Board set up by Brian in 2013 before forming a Board of Directors in 2015:
  - Ms Sally Bowles joins as Executive Chair (15% stake in company) along with two Europe-based NEDs, Mr Florian Schneider and Ms Gillian Vartan (2.5% stake each).
  - Board discussions remain largely operational and dictated by Brian.
- Despite concerns about board functioning, Solaris is on track to record its first annual profit at the end of 2015.





## BREAKOUT ROOM DISCUSSION: START-UP CHALLENGES



- Discuss in groups Solaris' early-stage CG challenges from the perspectives of the founder and a potential investor.

10 - 15'

### QUESTIONS FOR DISCUSSION

1. What are the corporate governance challenges from Brian's perspective?  
Identify the three main challenges.
2. If you were asked to invest in the company at this stage, what governance risks would you perceive? Would these deter you from investing?

# PRESENTATION: ADDRESSING START-UP CG CHALLENGES

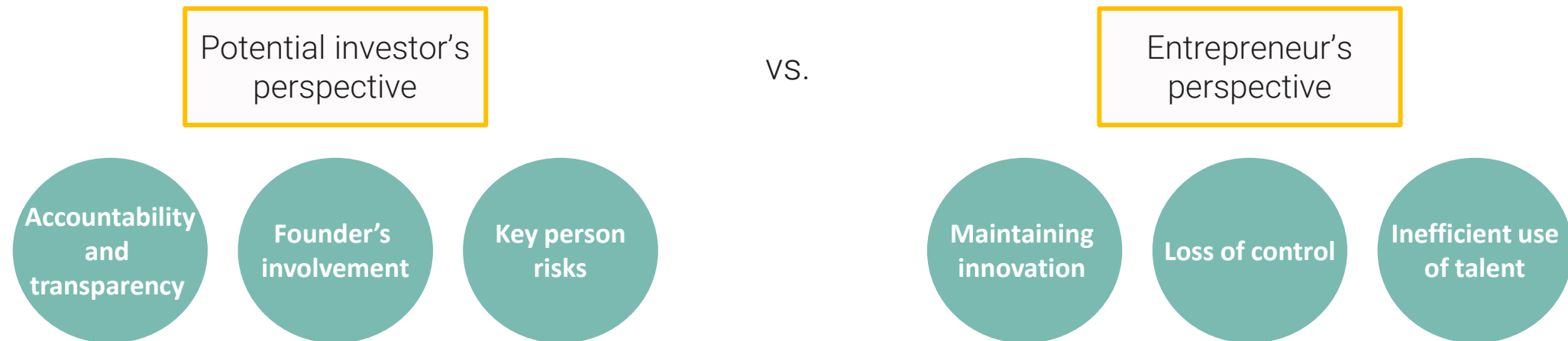
---



## Group presentations

- Please discuss the corporate governance challenges your group identified
- What governance risks did you identify? Would you invest?

# DEBRIEF: ADDRESSING START-UP CG CHALLENGES





**nestor**advisors  
A MORROW SODALI COMPANY

# CASE STUDY PART 2: ACTIVE GROWTH

---



# RECAP: ACTIVE GROWTH



## ACTIVE GROWTH (STAGE 2)

Enterprise focus	Sales & growth, increasing product variety; creating client base
Revenues	Target breakeven

## ACTIVE GROWTH RISKS

### Risks for investors

- Unclear systems and policies.
- Internal company checks and balances ineffective.
- Risk of unequal treatment among shareholders.

### Risks for business

- Need to balance flexibility with growing demand for strategic focus, defined structures.
- “Silo” approach to communication across departments.

# SOLARIS: ACTIVE GROWTH

- Approaching the end of 2016, Solaris continues to expand:
  - Second office opened in Kisumu with an accompanying warehouse.
  - Number of employees increased to over 30.
- However, slowing sales growth instigates a 'shake-up':
  - The role of Executive Chair is separated into CEO and Board Chair in which Brian takes the role as Chair and Sally as CEO.
  - Mr Paul Bateman, at the recommendation from Florian, joins as COO.
  - Introduction of organisational chart with a new Product Development division.
  - Focus on developing new products.
- In 2017, Solaris receives investment from EcoCapital (as well as a 20% stake):
  - As a precondition to investment, an investor representative, Mr Lynch, is appointed to the Board, and EcoCapital has final sign-off on any new products developed.
  - EcoCapital also wishes to professionalise Solaris' board functioning and Management practices as well as increase independent representation.
  - Mr Roberts maintains majority ownership.



## BREAKOUT ROOM DISCUSSION: ACTIVE GROWTH CHALLENGES



- In breakout rooms, discuss potential CG challenges and draw up an action plan to address them. **10 - 15'**

### QUESTIONS FOR DISCUSSION

1. What in your view are the three main corporate governance challenges that EcoCapital is likely to ask to be addressed at this stage?
2. Develop an action plan to address these challenges, based on the IFC handbook and expectations of firms at this level of maturity.

# PRESENTATION: ADDRESSING ACTIVE GROWTH CHALLENGES

---

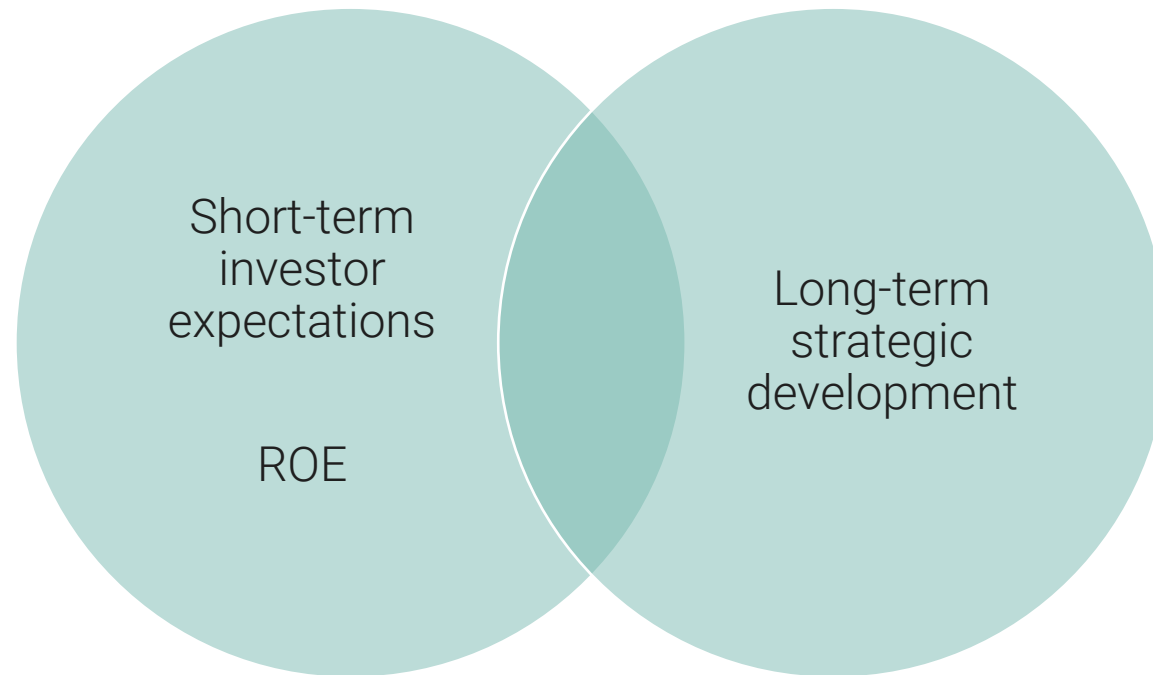


## Group Presentations

- What did you identify as the three main corporate governance challenges that EcoCapital is likely to ask to be addressed?
- Present your group's proposed action plan



# DEBRIEF: ADDRESSING ACTIVE GROWTH CHALLENGES





**nestor**advisors  
A MORROW SODALI COMPANY

# CASE STUDY PART 3: ORGANISATIONAL DEVELOPMENT

---

# RECAP: ORGANISATIONAL DEVELOPMENT



## ORGANISATIONAL DEVELOPMENT (STAGE 3)

Enterprise focus	Optimising own structure / processes after growth
Revenues	Beyond breakeven

## ORGANISATIONAL DEVELOPMENT RISKS

### Risks for investors

- Need for more professional staff versus family/friends.
- Conflicts between founding partners, new management, and investors.

### Risks for business

- Expanded staff and product offerings but internal structure, policies still rudimentary.
- Incentive systems do not correlate with performance.

# RECAP: BUSINESS EXPANSION



## BUSINESS EXPANSION (STAGE 4)

Enterprise focus	Further growth, supported by improved internal organisation and processes
Revenues	Positive and growing

## BUSINESS EXPANSION RISKS

### Risks for investors

- Professional management just “window dressing:” control remains with founders / family members.

### Risks for business

- Decision making concentrated on processes and not on growth. Risk of bureaucracy.
- Management may become risk averse, reducing entrepreneurial drive, innovation, and creativity.
- Risk of increasing overhead.



# SOLARIS: ORGANISATIONAL DEVELOPMENT & BUSINESS EXPANSION

- By the end of 2020, Solaris has expanded its operations to Uganda, Tanzania, and Ethiopia, employs over 50 people, generates consistent and growing profits, and is about to open a new office in Arusha.
- EcoCapital have exercised a clause to increase its holding share in Solaris to 40% and a development finance institution, EuroInvest, provides further investment (20% share).
- Solaris now has two EcoCapital representatives on its Board, and a EuroInvest representative, along with two new INEDs for a total of 7:

Name	Role	Board tenure	Nationality	Other information
Mr Brian Roberts	Chair and founder	2012 – Present	Dual citizen: UK and Kenya	Owns a 35% stake
Ms Sally Bowles	CEO	2015 – 2020	UK	Owns a 5% stake in the company. Due to step down 31/12/2020.
Mr Dominic Lynch	Investor Representative	2017 - Present	USA	Eco Capital representative
Mr Edward Tarkovsky	Investor Representative	2020 – Present	USA	Eco Capital representative
Mr Mathias Martel	Investor Representative	2020 – Present	France	EuroInvest representative
Ms Francisca Allende	INED	2019 – Present	Argentina	Previously founded and ran an Argentinian renewable energy firm
Mr Peter Ruto	INED	2019 – Present	Kenya	Well-respected Kenyan businessman and former Member of the Kenyan Parliament

- However, the Covid-19 pandemic has stirred divergent visions of growth and a tense board dynamic., particularly between the institutional representatives and the founder.
- Both investors are entering the latter end of their time horizons, leading Mr Roberts to consider future funding possibilities...

# BREAKOUT ROOM DISCUSSION: ORG DEVELOPMENT & BUSINESS EXPANSION CHALLENGES



- Discuss in groups the following questions:

10 - 15'

## QUESTIONS FOR DISCUSSION

1. What potential corporate governance challenges remain?
2. What are the gaps which still exist in the governance framework? Identify three.
3. How would you advise Brian to approach the potential exit of the current investors and next round of financing?

# PRESENTATION: ADDRESSING ORG DEVELOPMENT & EXPANSION CHALLENGES

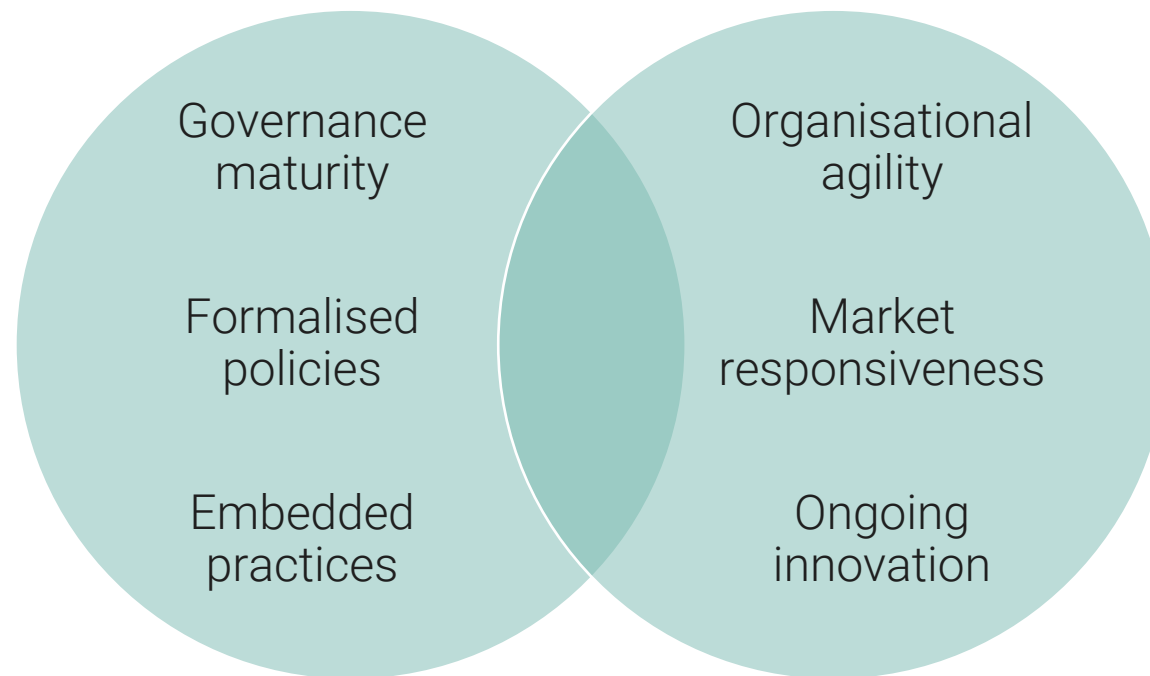
---



## Group Presentations

- What remaining potential corporate governance challenges did you identify?
- What were the gaps you identified?
- How should Brian approach the next stage?

# DEBRIEF: ADDRESSING ORG DEVELOPMENT & EXPANSION CHALLENGES







**nestor**advisors  
A MORROW SODALI COMPANY

# WRAP-UP AND Q&A

---

## WRAP-UP AND Q&A

---







**nestor**advisors

A MORROW SODALI COMPANY

THANK YOU

---