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## **ARTICLE** **ENTREPRENEURSHIP**

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*by Adetayo Bamiduro*

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Frontier markets — developing countries that are more developed than the least developing countries, but are too small, risky, or illiquid to be considered emerging markets — are high-risk, high-reward opportunities for today’s young tech entrepreneurs. Among such frontiers, global analysts have [proclaimed time](#) and again that [Africa is the future](#). Dynamics in economic growth, demographics, and connectivity make this obvious — and Nigeria sits at the intersection of all three

trends. Nigeria has been an innovation hub for sub-Saharan Africa and a hotbed of entrepreneurship and young talent.

The challenges facing an entrepreneur in a country like Nigeria are incredibly steep and require an uncommon level of savvy and adaptation. While building and scaling my company, I faced difficulties which included accessing capital and talent, sorting through unpredictable regulatory crises, and solving for market size and a fragmented customer base. I learned to rely on my strengths of being able to study markets and the local culture, and being able to keep adapting the product offering based on user feedback to bypass the inevitable roadblocks in an entrepreneur's path to success.

### **What to do When Capital is Scarce**

In frontier markets, as elsewhere, it all starts with capital — a lack of which can stop a good idea in its tracks. For startup founders in Nigeria, finding capital to fund their vision can be difficult, if not impossible. Because my co-founders and I were MIT [graduate students](#), we were able to leverage our [network while at school](#) in the U.S. before heading back to Lagos. We got into TechStars, a startup accelerator in New York, and established our business with the help of accomplished entrepreneurs and mentors there before returning home to Nigeria. With capital markets much less developed in a place like Nigeria, my co-founder and I always recommend that peers seek entry into a top-tier global startup accelerator in Europe, the U.S., or Asia.



### **Finding Good Talent Can be an Uphill Battle**

Access to talent presents a similar challenge, due to a shortage of top-quality tertiary education in frontier markets. Only [6% of prospective](#) students receive some tertiary education in sub-Saharan Africa, compared with 80% in developed countries. This shortage is even more dire in the computer

science (CS) field — CS departments on the continent are [underfunded and unable to accommodate](#) the number of students who wish to enroll. Facing this challenge, my co-founders and I hired our first technical team members from MIT. When we launched in Lagos, we recruited local talent through referrals from friends in the tech ecosystem and through LinkedIn. We couldn't afford to pay the market rate at the beginning, so we learned to sell our company's mission of making mobility safe, affordable, and accessible to 1 million Africans to attract great talent.

### **Cultivating Relationships is Critical**

Sure, engineering talent is crucial to the success of a start-up, but in frontier markets like Nigeria, [soft skills](#) like communication and adaptability are even more critical to deal with regulatory challenges. For many African startups, regulatory challenges will present an existential threat at some point in the early stage of a business. Bureaucratic bottlenecks are commonplace, tax requirements spread across multiple jurisdictions, and regulations can change at the drop of a hat. In an environment that lacks a predictable regulatory process, founders have to stay on their toes.

In July of this year, for example, my co-founder and I heard reports that the Lagos state government was proposing a new regulation for bike-hailing startups. In anticipation of such events, I have been cultivating good working relationships with relevant government officials over the past four years. My relationships with regulators have given me access to information around potential reforms as well as the opportunity to influence those reforms. My co-founder and I built relationships with regulators around the common goal that Nigerian consumers should be able to access higher-quality transportation in an affordable way — which gives us credibility *and* access to crucial information.

For startup founders in frontier markets, engaging regulators is a survival skill and a chance to influence long-term prospects for sustainable growth. The opportunity to participate in such conversations is one of the greatest honors of operating a start-up in a frontier market.



## Consider Scalability and Price

Market size and fragmentation present, for some frontier start-ups, a fundamental limitation that must be baked in at the concept stage. In our case, we had to engineer a technical product with unique pricing challenges and market barriers in mind.

For example, while disposable income in sub-Saharan Africa is among the lowest in the world, our product is intended for mass-market consumption across the continent. We've had to tailor our pricing and services to maximize exposure to the greatest number of low-income consumers, which limits our margins. Our company had to be scalable from day one in order to be profitable, a challenge that many founders in developed markets don't encounter until further down the line. Further complicating things, Africa is *not* a homogenous market. Barriers abound — from cross-border payments to multiple languages within a single community to differing cultural attitudes around transportation. The only way to work around these barriers is to live within them — entrepreneurs like us rely on strong communities, wide networks, and authentic relationships in order to navigate such a fragmented system.

Our experience has left us with the certainty that market immersion is as essential to [successful entrepreneurship](#) in a place like Africa as is access to capital and talent. Building a product that is really in demand, that people will connect with across boundaries, and that consumers can adopt at scale requires an intuitive sense of the market. Founders who are serious about frontier markets must go there themselves, be in constant contact with customers, suppliers, and regulators, and gain immersion in the culture. The rest will flow from there.

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**Adetayo Bamiduro** is the CEO and co-founder of Max.ng. He founded MAX at MIT and built up the initial team at MIT throughout the fall of 2014, bringing on graduate students and undergraduate software engineers from across MIT. He developed a full business model and a minimum viable product, launched in Nigeria, and has successfully raised over \$9m in funding to scale across West Africa.

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