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HBR CASE STUDY AND COMMENTARY

Pursue Your Dream or Move On?

A social entrepreneur considers how she can have the most impact.
by Sophus A. Reinert

Should Sonia accept the offer from LFM Capital or stick with her vision for Inganci?
Expert commentary by Acha Leke and Mira Mehta

CASE STUDY
Pursue Your Dream or Move On?

by Sophus A. Reinert

HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts. This one is based on the HBS case study "Kickstarting Tomato Jos in Nigeria" (case no. 718027-PDF-ENG), by Sophus A. Reinert and Risa Kavalercik, which is available at ***HBR.org****.*

THE SUN GLEAMED through the window of Sonia Headlee's office in the rural region of Kano, Nigeria. She tried to appreciate the blue sky, but she was desperate for the rainy season to begin. Her fields needed the water. This was just one of the hurdles she'd encountered since starting Inganci Tumatir three years earlier.

There had been successes too: She and her cofounder, Amanda Ibrahim, had bought land for a small farm, selected a processing factory, and completed their first run of Inganci's signature product: Nigerian-made tomato paste from locally grown fruit. But they had yet to make a sale under their own label. The company name had been misspelled on their packaging, giving them no choice but to sell their paste to a competitor.

Amanda had left the company a few months earlier to join a London-based consulting firm. That had always been the plan—but Sonia missed working with her, especially now.

The two liked to joke that Inganci was born in the parking lot of a grocery store. In two years as section mates at business school, they'd gotten into the habit of going food shopping together. One Saturday they were talking about economic development in West Africa. Sonia had joined the Peace Corps in Liberia after college, and Amanda was half Nigerian, although she'd lived all over the world because her Nigerian father and Swedish mother worked for the UN. Both women were excited about a West Africa market-sizing project they'd been assigned.

Illustrations by RYAN GARCIA

Sonia remembered the conversation vividly.

"There are almost 1.5 million smallholder tomato growers in rural Nigeria, and most barely break even," she'd told Amanda.

"Why?" her friend asked.

"Seasonality that leads to price volatility and market glut. Insect infestation.[2] Competition from China-subsidized exporters. Greedy middlemen. Underinvestment in human capital."[3]

"Sounds like a perfect storm," Amanda said.

"Or a perfect opportunity."

Sonia then shared her idea for a tomato paste company that would control the whole value chain of its product, from seedling to sachet—all based in Nigeria. Amanda was immediately on board. If they could show that a Nigerian company could reduce postharvest loss and increase farmers' yields, they could reduce what they calculated was a $900 million production gap in tomatoes.[4] They wrote a business plan, found investors in the United States and Nigeria, and moved to Kano after graduation.

They had anticipated difficulties, of course, but Sonia hadn't been fully prepared for just how hard it would be. Nigeria ranked 131st of 189 in overall "ease of doing business," according to the World Bank. There were infrastructure-related problems too: roads that had been poorly constructed and were even more poorly maintained; unpredictable spurts of power from the grid, which had to be supplemented with generators; and a lack of centralized waterworks. They also had to contend with the government's rigid protocols and antiquated paper trail systems, second-guess every transaction with vendors and sometimes even their own employees—who were always looking to make a few extra naira—and navigate a mixed local reception to their idea.

Closing the shades in her office now, Sonia thought about her new plan to farm corn as a cover crop in the rainy months. It was hard to imagine mustering the energy to get through another season, but she wasn't ready to give up.

"All start-ups face obstacles," she said out loud. She'd been giving herself a lot of pep talks lately. "Especially ones in emerging markets."

She wanted to see her vision for Inganci—and for transforming a piece of Nigeria's food industry—through. But was that foolhardy? She had alternatives, including a lucrative offer for an analyst job at LFM Capital, a Nairobi-based investment group focused on funding small businesses across several African countries. Could she have the same—or even a greater—impact from inside a firm like that? Or was she considering it only because it offered a way out of her current difficulties?

She shook her head to banish those thoughts. She could ponder her future later. Right now she had work to do.

"WE NEED MORE LIKE YOU"

The following day Sonia met with Abdulsalam Sani, the commissioner of agriculture in Kano. He'd been a supporter ever since Amanda and Sonia had first visited the region to inquire about buying farmland. Today he welcomed Sonia into his office with a vigorous handshake.

"I hope you haven't been scared off by the label issue," he said. "These things happen."

Sonia wasn't sure how much he knew about the debacle, but she was familiar with how fast word traveled in the small region.

"It was a setback," she replied. "But we're already preparing for next season."

"And you'll plant corn for the rainy months, yes?"

She nodded. He'd heard a lot.

"I want to know how we can support your work," he said. He smiled. "That's why I asked you here. We need more people like you—more Sonias in Nigeria."

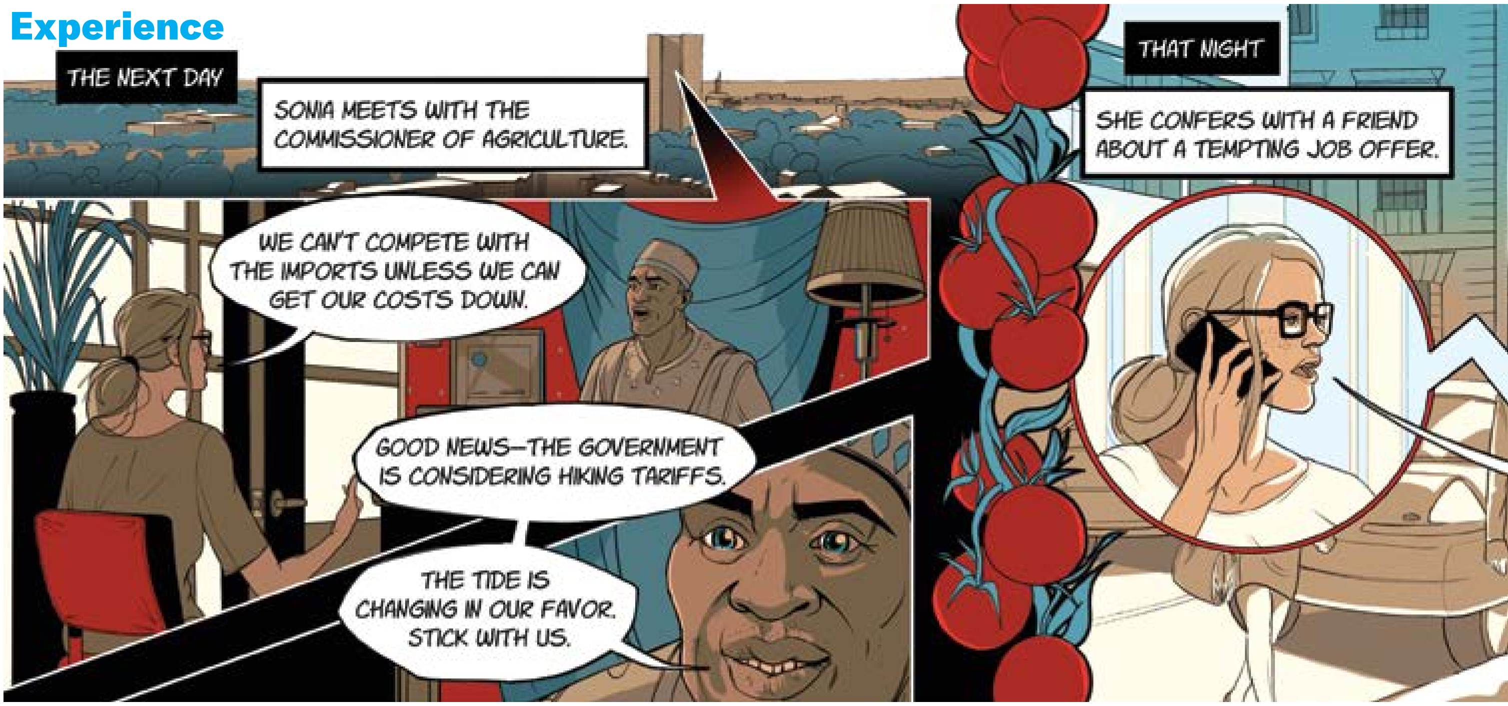
Case Study Classroom Notes

1. *Nigeria is frequently grouped with Brazil, Russia, India, China, and South Africa in the so-called BRINCS economies.*

2. *In the spring of 2016 Kaduna State declared a state of emergency after moths destroyed many tomato fields. Farmers dubbed the outbreak "tomato Ebola."*

3. *With more than 90 million citizens living in poverty, Nigeria has one of the world's highest poverty rates.*

4. *Nigeria is the second-largest producer of tomatoes in Africa and the largest importer of tomato paste in the world.*



5. *Is Sonia the right person to run this company? Would it be better to pass it on to a Nigerian?*

6. *Would a tariff on imports help? Or would it lead to price hikes that could make Nigerians unable to afford tomato paste—a staple in their diet?*

7. *The cost of transporting some products within Nigeria is reportedly higher than that of shipping them from the United States or China.*

His attitude was a welcome contrast to that of some other Nigerians, who seemed suspicious of a white American woman who wanted to do business in Africa.[5] Those people would be happy if she shut down Inganci, left town, and went to LFM, she mused.

"So tell me, Sonia: How can I help?" The question brought her back to the conversation at hand.

"You know as well as I do that there are major hurdles: logistical, political, cultural—" she began.

"Welcome to doing business in Nigeria!" the commissioner interjected.

"The issue I'm most concerned about is pricing, especially given how low the importers have gone. Unless we can get our costs down, we won't be able to compete."

"I have good news. I heard that the government is considering hiking tariffs on key foods by up to 50% to help domestic producers compete with Chinese imports."[6]

"That would help, though it could go even further."

"I agree. Apparently the president was heard at a cabinet meeting calling for a total ban on tomato paste importation to encourage local manufacture and protect the health of Nigerians."

This was indeed positive news, but it was just one piece of the puzzle. The informal "taxes" levied on companies by a seemingly endless string of local, state, and federal organizations, along with the extremely high cost of moving goods within the country, made operational expenses much higher than they needed to be.[7] For Inganci to succeed, either the government would have to reduce all that bureaucracy or the margins on the product would have to dramatically increase. Sonia often wondered whether the company would ever do as well as she and Amanda had predicted in their spreadsheets.

Looking the commissioner in the eye, she had to believe that it would. He clearly did.

"The tide is changing in our favor, Sonia. Stick with us."[8]

THE BIG GUNS

"Congrats on the offer!"

Sonia had called one of her business school friends, Tendai Park, for advice. Tendai had been working at LFM Capital since graduation. For the past year he'd been urging Sonia to consider the firm; he had even helped lay the groundwork for the offer she'd received. She was relieved to have an insider's take on the company.

"Time to join the big guns," Tendai joked. LFM was becoming well-known across the region; backed by several prominent impact investors, it had the resources to make a big difference for many African entrepreneurs. Sonia had been offered other

chances to pursue a path beyond Inganci. She'd been approached about growing tomatoes for a large factory and courted to run the tomato paste brand of a multinational. Some investors had suggested she join forces with a large Nigerian incumbent to grow her production capacity more quickly, while local officials had advised her to engage only in processing, which would gain her big tax advantages. She'd declined those opportunities, but the offer from LFM had her thinking twice.

"Yes, it's tempting," she said. "They told me I'd need to relocate to Nairobi, but I could continue working in Nigeria and focus on the food sector across markets."

"You'd close Inganci, though?"

"Yes, I think I'd have to."

"But you'd be funding so many more start-ups. We missed out on investing in you, I know, but now we have all this money to put to work. Don't you want to be part of that?" Sonia had suspected Tendai would push her to accept the offer, but she'd thought he would be a little more subtle. "Think about it. You'd have guaranteed financial security, a much nicer lifestyle, even a chance to get back to the States once in a while—and a position from which to influence African agriculture on a grander scale."[9]

"But I wouldn't be an on-the-ground entrepreneur anymore. I'd be answering to higher-ups."

"I get that. LFM is a good place to work, though, and I'm not sure that our bosses here are any more difficult to deal with than Nigerian bureaucrats. There's always some degree of selling out. Your vision all along was to encourage food security and economic development. You'll have a much bigger impact if you do that with LFM's cash and influence. Our leaders meet regularly with Nigerian, Ghanaian, and Kenyan policy makers. You could have a seat at those tables."

"I wanted to achieve that by building Inganci to the point where I could leave it for greener pastures. We're not there yet."[10]

"Will you ever get there?" Tendai asked, not unkindly. "You've said it yourself. Can any domestic producer truly compete with the Chinese importers? And if they can supply Nigeria with cheap tomato paste, is the average citizen really better off with more-expensive local products?"

"Theirs isn't homegrown," she said. "Nigerians deserve quality—and to benefit from the production of the food they eat."

"You don't have to be a martyr, Sonia. I know your investors and supporters have had your back, but they'll understand your decision. You have to ask yourself: Am I the right person to take on this challenge? And is Inganci the right organization?"

8. *About 23% of sub-Saharan Africa's GDP comes from agriculture, and experts believe that much of the continent's agricultural potential is still untapped.*

9. *Over the past decade the production of fresh tomatoes in Nigeria has grown by 25%, from an estimated 1.8 million tons to 2.3 million tons.*

10. *What criteria should founders use to decide if or when it's time to close their businesses?*

“WILL YOU BE DISAPPOINTED?”

After hanging up, Sonia switched to WhatsApp’s text function.

Sonia: You up?

Amanda: Of course; it’s only 10. What’s going on?

Sonia: Just talked with Tendai. He thinks I should go to LFM.

Amanda: Misery loves company?

Sonia: No, he seems really happy there. And thinks I would be too. Will you be disappointed if I pull the plug?

Amanda: A little, of course. But I’d understand. It would be a relief in some ways. For you, I mean.

Sonia: I’m just not sure I could live with myself.

Amanda: Well, I sold out, and I haven’t been struck down by lightning, so don’t worry too much. :)

Sonia: :) You’re doing important work, just in a different way, and that was always your plan. Mine was to see this through.

Amanda: Plans change. But FWIW it doesn’t sound like you’re dying to go to LFM.

Sonia: Maybe I’m just not letting myself get excited about it. The firm might have a bigger impact. But I’m torn.

Amanda: Do you have to decide tonight?

Sonia: No.

Amanda: Then get some sleep. Tomatoes don’t grow themselves.

SOPHUS A. REINERT *is a professor of business administration at Harvard Business School.*

Should Sonia accept the offer from LFM Capital or stick with her vision for Inganci?

THE EXPERTS RESPOND

ACHA LEKE *is the chair of McKinsey & Company’s Africa practice and a coauthor of* Africa’s Business Revolution.

Although I admire and respect Sonia’s entrepreneurial ambitions, I would urge her to seriously consider the offer from LFM.

Sonia needs to do some deep thinking about why she wanted to start Inganci Tumatir. Is her dream to start and run her own business? To help smallholders? To transform agriculture in Nigeria? A job at LFM could pave the way for her to achieve all those things.

As someone still early in her career, Sonia could benefit from the training and development she’d get in a large, established company like LFM. She would not only learn effective investment, problem-solving, people management, and business-building processes but also gain exposure to a variety of industries and countries in Africa and a huge network of investors, operators, and government officials. The experience would give her new—and maybe better—ideas about opportunities in Africa and probably make her a better entrepreneur should she want to start another venture in a few years.

It sounds as though LFM's mission aligns with hers: to help small-business owners. At the investment firm she could do that on a much larger scale and with structure, support, and guaranteed financing. And she might still be able to focus on Nigeria or agriculture or both.

On the personal side, I think she would feel less isolated. She'd be surrounded by like-minded peers and based in Nairobi, which offers a vibrant community of locals and expats. Plus she'd be earning a good income instead of constantly raising funds from investors while making very little herself.

This might not be an either/or decision. Pulling the plug on Inganci is just one option should Sonia go to LFM. Another is putting the start-up on hold and relaunching it in a few years. Sonia could also hire someone to run Inganci in her stead. She could provide strategic guidance as an adviser or a board member—and, with her LFM salary, possibly lend financial support—but not handle the day-to-day operations.

That's the model I've followed. I joined McKinsey right out of graduate school. I've been at the firm for 20 years, and I've launched, advised, and funded a number of start-ups on the side. This means I'm not only consulting to clients but also helping to grow institutions that could transform the continent. The key is finding the right partners: people who will commit to leading those institutions on a daily basis and who understand the local dynamics. Those partners also need operational skills they don't teach in business school—skills Sonia is just beginning to pick up.

My advice to Sonia: Reflect on the purpose of your life, and then figure out whether LFM can help you achieve it faster and more effectively than Inganci can.

MIRA MEHTA *is a cofounder and the CEO of Tomato Jos.*

If building a successful agricultural business in Nigeria is Sonia's dream, she should pursue it.

I know exactly what she's going through, because her story is based on mine. I started my tomato paste company in 2014. I thought I'd be running a large, profitable organization by now, but everything has taken twice as long as I expected. We now aim to launch our product in 2021—seven years after I started! It's been a long and challenging journey. But if we can get a homegrown and -made product onto the shelves and into the hands of consumers ahead of our competitors, who are far better resourced, I'll feel an immense sense of accomplishment.

I'd counsel Sonia to stick with Inganci for a few reasons. First, she seems to have a passion for entrepreneurship in general and this venture in particular. She believes in the business and her ability to run it. It's her baby, and she's clearly not ready to leave it.

Second, the best time for her to manage this kind of start-up is now. She's single, and there's no mention of college debt, so her financial constraints seem minimal. Her friends might be living lavish lifestyles in the United States, Europe, and elsewhere in Africa, but when else will she be able to live in Kano and build something from the ground up? The LFM job, and others like it, will probably still be there in a few years. Maybe then, after having proved her start-up mettle, Sonia will be offered a VP or director position instead of coming in as an analyst.

Third, I think the best kind of learning happens on the ground. There will be mistakes and setbacks, of course, but those teach you resilience. And as a start-up CEO, you gain invaluable real-world experience. It's a lot harder to learn how to be a hands-on manager while working at an investment firm.

Fourth, the psychological rewards of running a small business are huge. I came to Nigeria to create greater economic opportunity for its citizens, and nothing inspires me more than seeing my staff members develop their skills and watching our farming partners learn techniques and strategies that will help them commercialize other crops. I'm not sure Sonia will feel that same high writing checks from Nairobi.

Assuming that Sonia decides to press on with Inganci, she can do a few things to increase her chances of success and enhance her well-being. These include continually reviewing her business plan to ensure its viability, hiring a strong local team to whom she can delegate some tasks (thereby avoiding decision fatigue), and—although this is easier said than done—controlling her entire supply chain, from farm to factory to distribution. She should recognize that progress may come more slowly than she'd like, and should take more time to recharge and connect with friends so that she feels less lonely and stressed.

They say that every start-up is a failure until it succeeds, and because you never know when success will come, you just have to keep pushing. If I'd realized at the outset that I'd spend the first two years living in a converted chicken coop with no electricity while taking no salary, and that it would be seven years before we had a product to sell, I might not have had the courage to launch. But now that I'm in, I'd never give it up. Sonia is in too. She loves it, and she should stay.

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