Betting on Business
How do you pull millions out of poverty?
A GSB program has a plan.
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Insider the Business School’s ambitious venture to lift people out of poverty.

Olayemisi Iranloye had heard it over and over again: “It’s not going to work. It’s going to fail.” After all, how could a city girl and 40-something mother of two who had never lived in a village—“Not for one day!”—build a factory that makes food-grade starch in the back of the Nigerian beyond? There was no water at the site. The nearest electricity was 10 miles away. She’d need technicians and young professionals willing to work far from any bright lights other than the stars at night. Plus, she’d have to persuade hundreds of farmers to change age-old practices so they could supply her with enough raw material, cassava. And she’d have to give up her position as the COO of a major Nigerian agricultural processing company. Even her parents didn’t believe it would work.

None of the naysaying got to her. In 2012, she built a small house atop a huge granite dome from where she would be able to oversee the company’s and farmers’ fields, demonstration plots, farm settlements and her factory. Because Iranloye thought the word for a stringed instrument—found in the Old Testament—sounded sweet, she named her company Psaltry.

Four years later, Psaltry’s factory—where capacity has already doubled—is profitable, and produces between 20 and 50 tons of cassava starch a day for buyers such as Heineken, Nestlé and Nigerian Breweries. The company has 200 employees and 10,000 job applications in its database. Hundreds of farmers supply the factory and are paid through a mobile phone banking app. Several thousand others have requested training. International food companies want Iranloye to replicate her model in other African countries. She’d like to do so first in other parts of Nigeria. Psaltry’s growth and ambitions are just what the Stanford Institute for Innovation in Developing Economies, known as Stanford Seed, seeks to bolster.

A Bold Investment

It’s “a nice round figure,” Bob King says of the $100 million he and his wife, Dottie, initially planned to give Seed. As word got around about the Business School initiative, others on campus wanted to participate. To accommodate them, the Kings upped their ante to $150 million. They consider it an investment, not a gift. Devout Christians, the Kings are deeply troubled by the increasing worldwide disparity between the haves and have-nots. They are also firm believers in the power of free markets and capitalism to transform society. “When I think about how incredibly fortunate we have been over our adult lives, business careers, whatever,” says King, MBA ’60, “we feel we are called to be a blessing to others.” The return they expect on their investment in Seed is to “solve poverty by job creation.” Seed aims to accomplish this by providing intensive management training and support to established enterprises—those with $150,000 to $15 million in annual revenues—enabling them to scale up by orders of magnitude and vastly expand employment opportunities.

Announced in 2011, Seed got off the ground two years later with the launching of the Seed Transformation Program (STP) in Accra, Ghana, at the institute’s first overseas center. The timing was auspicious. Two recent cover stories in the
Economist had featured “Africa Rising”; one was graced by a giraffe with a neck shaped like the rapidly rising growth curve of a Silicon Valley unicorn, the other by a child pulling a high-flying, rainbow-colored kite cut in the shape of the continent. Experts from the World Bank and International Monetary Fund noted that high rates of return on investments in Africa could soon have the continent following “in the footsteps of Asia.”

STP is a yearlong program. Four weeks of MBA-style executive education are spread over six months when leaders from participating companies gather in Accra or at the center Seed opened last May in Nairobi, Kenya. They attend seminars given predominantly by GSB faculty, network with regional peers and develop transformation plans for their companies; over the rest of the year, they begin implementing those plans. Companies can receive up to a year’s worth of intensive, “high-touch” coaching from seasoned businesspeople who typically volunteer for 12 to 16 months to advise, cajole, motivate and buoy spirits. Seed collaborates on an internship program with STP companies and supports campus academic programs.

Seed also sponsors academic research by faculty spanning more than a dozen disciplines. Faculty Director and Executive Director Jesper B. Sørensen, a professor of organizational behavior, expects that work to produce “fundamental breakthroughs that will transform the way we think” about problems in the developing world and how they relate to poverty. Another ambition is to make Stanford “the leading research university for thinking about the challenges of poverty in the developing world.”

In popular corporate parlance, these are BHAGs—big, hairy, audacious goals worthy of the Business School’s motto: “Change Lives, Change Organizations, Change the World.” In their philosophy, the Kings say they are “intentional” and “results oriented.” They would like to see Seed lift millions of people out of poverty—generally considered to be those living on less than $2 a day—by the 2030s. “If life after we’re gone,” says Bob, who is 81, while sitting next to Dottie, who is 80, on a sofa in their large, comfortable and entirely unostentatious home in Menlo Park. “But that’s OK.”

...The world. No one nation has ever raised up so many in such short order. China, where the Kings’ already considerable wealth was bolstered significantly by an early investment in Baidu, China’s version of Google. Without the protections of democracy, China managed this unprecedented achievement thanks to Deng Xiaoping’s Open Door and the country’s “one child” policy, which helped limit overall population growth since 1978 to about 30 percent. During the same period, the population of sub-Saharan Africa tripled from around 350 million to more than a billion.

Since 1960, Ghana and Nigeria—the two countries where Seed has been most active—have received the equivalent of more than $90 billion in foreign assistance, much of it to little enduring effect. Former Seed coach Hans Nilsson, MBA ’83, says handouts and Western-style democracy have been “a bad combination.” The development money floods in and “evaporates.”

Learning Curves and Transformations

Emmanuel Kitcher is a compact bundle of energy who radiates optimism with a warmth that rivals the way the sun warms the Earth. Kitcher, who had a long, successful career in Ghanaian industry before becoming Seed’s first regional director, views Africa’s economic potential through glasses ground in the “silver linings” school of optometry. Once people’s needs are met and their material problems solved, opportunities for businesses to make outsized returns become harder to find. By this way of thinking, opportunities in Africa abound because consumer demand is only just ramping up, and so much of everything is still in short supply. Kitcher expects 80 percent of the companies participating in Seed to take off. “I like the challenge of ‘impossible,’” he says as a way of explaining why he signed on with Seed.

Not all businesspeople are striving for the kind of success that will bring them Champagne wishes and caviar dreams, says Kitcher. “Many are already content.” When Seed approaches them and says, You can be a regional leader. You can be a global leader. You can employ large numbers of people and help eradicate poverty. You just need to scale up, transform, “this does not make everyone jump up,” Kitcher says. But for those for whom the message resonates, it seems to do so on a life-changing frequency.

O.T. Aderinwale, CEO of Justrite, a Nigerian chain of big-box discount stores, says that after an STP module on design thinking, “My brain just opened . . . I became a changed person.” He had taken her 11 years to open her second store. In the past three years, she’s opened four more and plans to open another 34 by 2021.

“You almost live with the companies,” says Geoffrey Otieno, a Kenyan and former director at Nokia, of his experience as a coach. Faculty Director Sørensen, MA ’92, PhD ’96, says that the coaches are “incredibly motivated and incredibly passionate,” but it’s expensive to recruit and support them, and—because of the intensive nature of the coach/company relationship—“they don’t scale.” That restricted the number of individuals Seed could train, but it’s a bottleneck that changes rolled out last September are expected to resolve. For one, locally hired facilitators now work with Seed companies in between weeks of STP training to bring employees up to speed on the gist of what their bosses are going over in class. This is where many business development programs fall down. Although they teach “the talk,” they don’t help companies “walk the walk.” Sørensen expects Seed’s use of facilitators to free up time for coaches and to bridge the gap between book knowledge and changed behaviors at STP companies.

According to former coach Jerry Hudson, an early problem was that some companies were too small, too young or insufficiently committed to benefit in a cost-effective way from what Seed has to offer. Now, high-touch coaching is extended to STP companies based on their leadership skills, potential for innovation, revenue growth, expanded employment and profitability, and on their application of the managerial techniques covered during STP. In another significant change, participation now costs: $5,000 for the training and $5,000 for the coaching—considerable amounts for smaller businesses but still heavily subsidized. Constantin Salameh, MBA ’84, extended his coaching commitment for a second year and relocated from Accra to Nairobi. “Ultimately you need to change. If (the companies) get it for free . . . they won’t value it the same.”

To date, 23 coaches, 23 Stanford faculty, eight regional lecturers and 160 companies have participated in STP—154 in six West African cohorts and 26 in the first East African cohort. Seed expects to open its next center sometime this year, in either Southeast or South Asia. Longer-term plans include opening more centers to expand Seed’s reach and facilitate networking and cross-pollination among developing countries.
When Alex Adjei Bram first heard about Seed, he was indifferent. He was already a serial entrepreneur, albeit at a small scale, who in 2005 co-founded SMSGH—a rapidly growing app developer—with his best friend from high school. He didn’t get how CEOs were supposed to take off weeks to do “this”—classwork in strategy, organization-al design, finance, accounting, value chain, ethics, governance, leadership, marketing, value proposition, HR, design thinking—and come up with a transformation plan that would, well, transform their companies. Skeptical, he dropped in on day one of STP. If he found anything useful, maybe he’d stay. By day four, he says, that if they had asked him to jump, he would have asked, “How high?” SMSGH is now surpassed $10 million a year in revenue, and its 80-plus employees will soon outgrow the office building they put up in downtown Accra.

Nicole Amarteifio’s expectations for Seed were equally modest. The Ghanaian graduate of Brandeis and George-town had as her goal finding an accountant and going out “A to Z.” She was too busy working on An African City—her taboo-breaking, made-for-the-web, taboo-breaking, made-for-the-web, “A to B.” She was too busy working on An African City. She was too busy working on An African City. She was too busy working on An African City. She was too busy working on An African City.

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Amarteifio, like many others in STP, spent years overseas and then decided to come home for good. She had two objectives: to help turn Ghana’s film and TV sector into a globally recognized “Gollywood,” and to disrupt the hackneyed “sin-styling” of Africa as a continent mired in war, poverty, civil strife and dysfunction.

Starting with 10 episodes of 12 to 16 minutes, Amarteifio built an ongoing series about five young, rich Ghanaian women trying to find romance and success back on native soil. She wasn’t really asking by Ghanaians and foreigners—why she didn’t create a show about “Sodom and Gomorrah,” the collo- quial name for one of Accra’s roughest neighborhoods. To her, that would have been just another single-story show. She wanted to highlight a segment of African so-ciety that many people, off the continent and on, don’t know exists.

With its bare-bones budget and small cast and crew, it’s unlikely that An African City will make much of a di-rect contribution toward the King’s goal of lifting millions of people out of poverty. However, it is already changing some of those once im-mutable images. It’s been picked up by Ebony Live TV and Canal + Afrique, and fea-tured in dozens of venues, including Forbes, the New Yorker, Ebony and the BBC.

Leaning In

Despite the success of many STP CEOs, every day they must lean in at angles that would have serial entrepreneurs in Sil-icon Valley looking up from the pavement, wondering what would have hit them. Psaltry’s Iranloye spent half a million dollars to bring electricity from the national grid to the plant site. It works so sporadically that it’s now a kind of backup for her backup generators, which she must run days at a time. In 2016, when Nigeria was running out of refined fuel—despite being Africa’s then largest oil producer and the world’s 12th largest—Iranloye faced the prospect of no grid power and no diesel for the generators. “It was hell.”

Psaltry is 750 miles from where Boko Haram has been terror-izing northeastern Nigeria, and 300 miles from where the Niger Delta Avengers have been kidnapping oil workers, blow-ing up pipelines and killing Nigerian soldiers—but guards at local checkpoints brandish AK-47s out of extra vigilance. Iranloye wishes her government had supported her the way it did highly experienced white farmers who had been run off their land in Zimbabwe by President Robert Mugabe. Through Nigeria’s resettlement program, those farmers got roads, pow-er, loans, tax holidays and more—and still many failed. With similar backing, Iranloye says, Psaltry would be 10 times ahead of where it is now. “Where is the level playing field?”

Or take the case of GHS, Baffour and Benedicta Osei’s af-fordable housing company. In 2013, their plan to build 2,500 homes on rezoned agricultural land 40 minutes out of Accra looked like it would fly. Then, in February 2014, the Bank of Ghana closed its foreign currency window with no warning. Bank loans, if you could get one, rose to 3 percent—per month. In 2013, the couple had sold 128 houses. In 2014, they sold three.

Doing business where such events are routine is “not for the faint-hearted,” says Victor Oduguwa, who gave up a high-powered job with MTN, a South Afri-can telecom multinational, to go into what he says Nigerians call a “laughable profession,” something to do when you are retired: chicken farming. In fact, Nation Feeders, started in 2012, is not just an egg-and-poultry business. It’s also a compost/fertilizer business as Oduguwa works out the best option for the nine tons of manure his birds produce daily. Everyone said he was crazy—including Abiola, his wife and now busi-ness partner, who has degrees in microbiology and bioinformatics and a master’s in drug discovery and artificial intelligence from Cranfield University in the U.K. At MTN, Oduguwa was at the top of his game, but his life was mapped out until the end of time. “I didn’t want that.” What he wanted was to prove to others that a vibrant, thriving economy could be built in ru-ral Nigeria.

Like Iranloye, the Odugwas started without water, with-out roads, without power. Oduguwa, who completed the General Management Program at Harvard and has an MBA and a PhD in engineering, likens running a business where so much infrastructure is missing to “trying to stand on water.” But for most entrepreneurs in the so-called third world, failure simply isn’t an option.

“IT’s a badge of honor to fail in Silicon Valley,” says former Seed coach Clinton Etheredge, MBA ’74, who first went to Africa in 1970 as a Peace Corps volunteer. “If you go out of business in Africa, it’s your extended family (that) is going to suffer.”

One CEO shakes his head recounting how many Ghanaians still believe that the only solution for their country is to be recolonized. Although the physical, financial and structural challenges facing Africa appear daunting, it may be cultural practices and entrenched psychological conditioning that present the highest, though largely invisible, hurdles.

Iranloye sometimes notices visitors poking their heads around Psaltry’s offices and factory as though looking for something they expect to find but cannot: a white or Asian expatriate running the place. Even Nigerians are surprised when they learn that Psaltry is owned and operated solely by locals. “We have refused to believe in ourselves,” Iranloye says, even as she herself exudes the confidence of someone who would not be daunted if commanded to part the Red Sea and lead her people—peasant farmers—to the Promised Land. That comment echoed over and over last July during week three of the STP in Accra and again in conversation with 15 participating CEOs in Ghana and Nigeria.

Samuel Agyapong Appenteng is the deputy man-ager, or “coach,” of Joissam, a well-drilling and water service company based in Accra. He remembers be-ing taught as a child that everything African was in-ferior. He shakes his head recounting how many Ghanaians still believe that the only solution for...
their country is to be recolonized. Decades of handouts and ineffective government have created an atmosphere of hopelessness and disempowerment for millions of ordinary citizens who have been “developed” into dependency.

In their collective 118 years of independence, Ghana and Nigeria have had 27 governments between them, 11 of which have been in power for less than four years. As a result, Obiora says, “there’s a lot of nationalized companies, and the economy suffers for it.”

In September in Lagos, the first meeting of the network brought together 92 past STP participants from Nigeria, Ghana, Senegal and Ivory Coast. The hope is that when the number of them grows enough, a certain scale—250 or 500 have been mentioned—a critical mass will start, as will a Silicon Valley-like chain reaction of ideas generating more ideas and companies spawning startups at an accelerating rate. However, Seed’s valley will only be possible if companies from high-tech to low-tech. Whether critical mass can be achieved in such an expansive, distributed network is another question.

From Seed to Harvest

Like any start-up, Seed has not always graduated according to plan. Two of its early prime movers, Tralseye Addy and former GSb dean Garth Saloner, are no longer in their posts. Executive Director Sersen says, “We can’t solve all the problems through the Transformation Program. It’s clearly very hard in countries that have weak institutional environments.” He adds that Seed is a “very complex project never tried by a university before” and that “it’s unrealistic to think that there’s a perfect vision and no growing pains.”

In the United States and elsewhere, many think of poverty as something for the government, not the private sector, to address. Can the combination of executive education, intensive, high-touch coaching and business networking make a substantial impact on the millions living in poverty?

“Five years down the road, we might be in a better position to answer that question,” says coach Constantine Salameh. Bob King also expects that it may be another five years or so until everything comes together.

Seed has spent more than $9.5 million on around 109 research projects. To date there are no breakthroughs of the kind Sorenson hopes for, but it is too early to assess them. One STP-supported study is “Does Management Matter? Evidence from India,” co-authored by Stanford economists Nicholas Bloom and John Roberts, and Fleming, MS ‘87, MS ‘88, who started coaching with the first STP cohort in 2013 and is now a facilitator, has worked directly with more Seed companies than any other Seed coach.

To him, Seed is a “world-changing institution” that will help bring African companies into positions of global leadership. However, Obiora says that private sector, like Nation Feeders, may not have as big an impact on employment. Even as the Oguduwas plan to increase the number of their laying hens from 100,000 to a quarter of a million, their expanded use of automation means that employment levels grow slightly, if at all.

Seed’s ultimate success or failure doesn’t diminish returns already felt. Many STP graduates rave about the classes they took. Joosam’s Appcint can recite from the curriculum content as easily as he does from the Bible. Joosam’s transformation plan—nearly as thick as an old Manhattan telephone directory—is never far from his reach.

Moreover, the learning is not a stream that flows only from academics to practitioners. Sersen says that faculty members sometimes encounter objections from STP participants who say, “No, no, no. That’s not how it works.” It drives the faculty “crazy to think of their theory of the world” may not be correct everywhere. Bob King chuckles as he recalls professors who came back to campus thinking, “Maybe I don’t know everything.” He hopes they’ll bring back ideas for solving problems in the United States.

Associate marketing professor Jonathan Levav says that Seed represents “the most rewarding teaching assignment that I’ve ever had,” a sentiment expressed by other faculty. After his first-year career in the private sector, Salameh “has finally discovered his true passion, which is to coach for the rest of my life.” At his 60th birthday party in September, he often had to hold back tears as he tried to express how thankful he has been to have Seed in his life. For Oguduwa, success for Seed will be “when people like us can do what Bob King is doing.”

Ilanoye has a different vision—when the children of some of her once-impoverished farmers can attend Stanford. “Why not?” she says. “Who knows?”

Six weeks before Nigeria’s economy was officially declared to be in recession last August, The New York Times ran yet another lengthy “single story”: “Nigeria Finds a National Crisis in Every Direction It Turns.” The next morning, CEO Yutunde Oghomiehor and her senior staff at Aframero, a woodworking products and services business in Lagos, sat in a dimly lit room where a single fan—powered by a backup generator—turned languidly. Once again, there was no local power. What, in light of The New York Times article, would the Aframero staff like to say to the people would read this article?

“Ridiculous, inhuman, a threat to life and limb, a death conviction that the Rev. Dr. Martin Luther King Jr. could not have improved upon, operations manager Blessing Okorocha spoke out. “TRUE, we have Boko Haram issues here,” she said. “TRUE, we have Niger Delta Avengers disturbing us. I will tell this to the New York Times writers in America: What is happening in Nigeria, if it happened in America, they would all go down immediately. But that’s not happening in Nigeria. We wake up with hope every day that tomorrow is going to be better than yesterday.”” (Yes, her colleagues call out as one.) “That’s one thing we have in Nigeria. Nobody can take it away from us.”