



Against the Grain: Jim Teague in Tanzania (A)

The clarity of the open sky mocks the complexity on the ground below. As I drive to the KiraFlour offices in my borrowed ride, my tumultuous month in Tanzania flashes incoherently through my mind. I can't seem to reconcile the conflicts between what I've heard, what I've seen and what I feel. And now I'm about to make the most important decision of my professional life.

As a summer intern for AgriFund, a social-impact investment fund, I am responsible for researching investment opportunities within the agro-processing sector in northeastern Tanzania, where I am currently based. I provide business and financial management support to five agro-processors and utilize my role to assess the capital needs of these organizations. I report to Allen Sweatman, AgriFund's global vice president based in New York. My largest client is KiraFlour—a company owned and operated by Albert "Baba" Kiravu, a self-made businessman who is somewhat of a local personality. In my short time here, Baba has become my closest local friend and mentor.

KiraFlour, a small company that specializes in the milling of grain-based flours (see **Exhibit 1** for company profile), distributes a variety of products across Tanzania. Known for their high quality flours and visible market presence, they were expected to be an ideal candidate to receive AgriFund's first Tanzanian agro-processing loan. The due diligence process was completed without a hitch this spring, giving AgriFund confidence that with minimal loan disbursement and repayment oversight, it would have a great investment story on its hands. However, two weeks after arriving in Tanzania, I learned that KiraFlour's highest revenue flour had allegedly tested positive for *E. coli*. Not long after, I learned that KiraFlour was potentially selling a number of unlicensed products. As the only AgriFund employee in Tanzania, it has fallen upon me to recommend to Allen whether AgriFund should proceed with the loan to KiraFlour. A 'yes' decision could potentially put thousands of KiraFlour's customers at risk and open AgriFund to credit, litigation, and reputation losses. A 'no' decision would deny KiraFlour crucial capital just days before the harvest season, potentially damaging the livelihoods of dozens of KiraFlour employees and hundreds of KiraFlour-dependent farmers.

Business School to Tanzania: My Journey Back to Agriculture

My name is Jim Teague and I came to Harvard Business School (HBS) to return to agriculture. Raised on a cattle farm in the mountains of North Carolina, I was instilled with a love and respect for farming at a young age. However, when the time came to head to college, pursuing a career in agriculture couldn't have been farther from my mind. Interested in stepping out and seeing the world, I majored in mechanical engineering and landed a job as a construction equipment designer

An anonymous HBS student prepared this case under the supervision of Professor Karthik Ramanna. This case is based on actual events but names, organizations, and some circumstances have been fictionalized. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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outside of Chicago. Upon graduation, I packed my bags and said my goodbyes, leaving family and farm to start anew as a design engineer.

On the job, I held various roles in product development and manufacturing and developed an interest in the challenges that faced diversified and global companies. At the same time, I became increasingly uncomfortable with the lack of value I was creating in society. I started to explore career avenues that provided a stronger link to social service and became fascinated by the opportunities within global agriculture to create both social and commercial value. Through my research, I regained a passion for my roots and saw an MBA as a springboard to this exciting new career. I knew that, coupled with my agricultural background, MBA-honed business skills would enable me to create more sustainable and scalable economic opportunities across the agricultural value chain.

When I arrived at HBS, one of my primary goals was to secure an agriculture-focused internship in sub-Saharan Africa. Given the demographic and economic characteristics of the region, I knew an on-the-ground internship would provide valuable perspectives on the role of agriculture in economic development. That goal became a reality when I met Allen Sweatman of AgriFund. Allen was looking to hire an MBA associate with a background in engineering for the summer. I jumped at the opportunity and accepted the offer before the email got cold; words can't describe how excited I was to move to Tanzania, roll up my sleeves, and get back to agriculture.

To keep track of my thoughts and experiences, I have kept a blog throughout the summer. The following are based on entries that detail the events thus far.

June 4th: Hello, Tanzania!

My bus pulled in around 9:00 PM and I was immediately immersed in the hustle and bustle of a developing city. Especially the hustle part, as I quickly had the attention of every tout within eyesight. After a few empty attempts to find my apartment on my own, I humbly shelled out some shillings to the friendliest looking tout to guide me to my new home. My place is tiny and the electricity is out; and I'm completely exhausted and bewildered from the evening. What have I gotten myself into?

June 9th: Hello, KiraFlour!

This morning, I visited KiraFlour's facility and met the owners, Mr. and Mrs. Kiravu (who, per Tanzanian tradition, I referred to as "Baba" and "Mama," Swahili for "father" and "mother"), as well as the management and production staff of the company. I spent the morning speaking with employees, learning more about KiraFlour, and identifying potential projects for the summer. The afternoon was spent with Baba. Baba has overcome a lot in his 65 years, growing KiraFlour from scratch with little formal education and even less external financing and business support. While a little ornery and temperamental, Baba has a warm heart and a genuine commitment to creating opportunities for his business and employees alike. In fact, at dinner, Baba not only introduced me to *mbuzi choma* and *ulezi*—roasted goat and stiff porridge, a staple local dish—but he also insisted that I take the keys to his spare car. My four other clients are located at some distance from town—in one case, over two hours away by a combination of motorcycle taxi, bus, and walking—so the use of Baba's car will make my time in Tanzania all the more productive. Talk about a great first day: I hit it off with my main client, identified potential high-impact projects to support, and landed a ride for the summer!

June 19th: Jim Reeves' Greatest Hits

"My personal morals are very much against bribing. I just won't do it."

Those were my exact words when a friend asked me how I would respond if faced with corruption over the summer. But that was definitely not the case when I bribed a police officer this morning. While I will never know if the situation was truly a "night in a Tanzanian prison vs. bribing a police officer" type of decision, I am disappointed that I resorted to bribery so quickly. With no money in my pocket and standing face-to-face with the officer who stopped me illegally, I instinctually reached into the car to pull out anything of value as a peace offering. The troubling part is not that I gave away Baba's beloved Jim Reeves CD set (see **Exhibit 2**)—which he no doubt will be fired up about losing—but that, after only two weeks on the ground, bribing has become an instinctive reaction.

On a positive note, I have grown incredibly close to Baba and Mama. They have accepted me as one of their own children, having me over for dinner nearly every day, taking me to their ancestral home on the weekends, and are even urging me to marry "a good Chagga woman" so that I can officially become part of their tribe! I have grown especially close to Mama, taking great delight when she refers to herself as "Mama Jimmy," after the Tanzanian tradition for a mother to take on her children's names.

June 20th: Hello, *E. coli*!

I went in to the KiraFlour facility again today, now familiar territory as I've been working two days a week on site with Baba and Mama. I spent most of the day chatting with Baba about topics touching all corners of life, love, and agriculture. Just as I was about to leave, he looked at me with a smile as he said, "look at this, I want to show you something." I rolled my chair next to Baba and looked down in shock at the report he placed in front of me: The Tanzanian Certification Agency (TCA) has found traces of *E. coli* in KiraFlour's most popular product! Baba says that the report is nothing more than an attempt to secure a bribe, and he dismisses the possibility that *E. coli* is present in his products. He adamantly refuses to participate in bribery.

Baba's charge that the TCA is attempting extortion seems plausible given the widespread perception of government corruption that I have encountered. Not to mention that I'm still pretty bitter over my own run in with a bribe-seeking police officer. Since arriving in Africa, I've lost count of the times that corruption has been brought up in conversation. Many locals discuss the topic openly and are quick to share their concerns on the issue. Baba is no exception, spending much of our time together speaking about corruption and how it impacts his business on a daily basis. Baba has owned and operated this company for over thirty years, so I'm confident he has dealt with his fair share of corrupt practices and officials.

The accusations against the TCA are disappointing: It's frustrating that even a food testing agency, whose sole reason for existence is to protect consumers, is tainted by corruption. But regardless of its lack of credibility, I need to understand the TCA's range of authority in order to assess the risk to our investment. KiraFlour can't repay our loan if the TCA shuts it down, even if the *E. coli* accusations are untrue.

June 25th: Another Issue Surfaces

As on many days spent together, Baba and I went out for dinner tonight after a long day at the KiraFlour facility. He mentioned, almost in passing, that the Tanzanian Food Commission (TFC) has sent him a series of warnings regarding KiraFlour's distribution of non-TFC licensed flours. Strange, since our due diligence process should have caught any licensing shortcomings.

Five days have passed since he showed me the *E. coli* reports, but neither he nor I have raised the issue since. I am still convinced by Baba's claim that the TCA is corrupt. While researching the agency, I have learned that their certification is optional and mainly used for promotional purposes. As such, I don't believe the reports pose much risk to our loan security. I also looked into other documented cases of *E. coli* outbreaks in the world, finding a range of severity associated with the bacterial contamination (see **Exhibit 3** for further information on *E. coli*), limiting my concern on the consumer health front as well. Up to this point, I hadn't given much thought to the idea of raising the issue with my boss in the United States. But what of this new issue with the TFC? Through my research on the TCA, I have learnt that TFC licensing is required and that the agency has the authority to levy fines and eventually shut down non-compliant companies. When I brought these issues up with a notable level of concern, Baba simply stated that the TFC is corrupt as well.

July 2nd: When in Rome...

Some epiphanies are painful. After I shared my frustrations with a friend back home, he asked a simple question—would my reaction to the *E. coli* and TFC licensing issues have been any different if I were in the United States? Suddenly, it became uncomfortably clear: I have rationalized a failure to take action and downplayed the potential risks of the situation. I've fallen into the same trap as everyone else—when bad news is received from a governmental agency, the initial reaction is to assume the agency is corrupt.

For the first time since arriving in Tanzania, I feel guilty and disappointed in myself for not reporting my findings to AgriFund and not approaching the situation with more skepticism and rigor. I sat on potentially incriminating information for over a week because I was somehow convinced that corruption played a role. What really led me to believe that the TCA is corrupt? No facts were present, just the musings of a hardened and opinionated business owner. What really bothers me is how this experience reflects upon my values. Why are they different in Tanzania, where I am comfortable with bribing a police officer and am willing to approach the KiraFlour situation with less concern and more acceptance than I would in the United States?

That said, six days a week I am on site with one of my clients and seemingly everyday I come across a business or regulatory practice that is suspicious. How am I supposed to know what issues are worth raising? My boss is incredibly busy and he hired me, in part, because of my record of managing challenging situations with minimal oversight. I knew working in a developing market would be different, but it's safe to say I vastly underestimated the complexity of this place.

I am also unsure of how I should handle this issue. Just a few weeks ago, Allen commented that AgriFund tries to "lay low" when it comes to interacting with government agencies. Heck, given my tourist visa status,^a I'm not supposed to be working with a company like KiraFlour in the first place. Also, while I now feel that AgriFund should be aware of the situation, I am uncomfortable with how

^a Given the complexities in obtaining a Tanzanian work permit, AgriFund decided it would be easier if I entered and operated in the country on a 90-day tourist visa.

this may affect my relationship with Baba. My responsibilities and level of success this summer depend upon my ability to establish trust and build relationships with my clients. Baba is my priority client, and notifying AgriFund now may destroy our strong, yet fledgling, relationship.

July 6th: Raising the Issue with AgriFund

I received an email this morning from Allen requesting an update on KiraFlour. I responded by disclosing the *E. coli* and licensing issues and sharing what I had learned about the TCA and TFC, as well as providing an assessment of Baba's reactions toward both issues. Allen responded with an email stating that the issues were, above all else, "quite concerning." We followed up with a long phone call where we discussed the issues and I shared my findings. Allen was audibly upset, but felt we did not have enough information to pull the plug on the loan. He noted from my description of my time in Tanzania that I have the strongest relationship with Baba of anyone in AgriFund: "you seem to know how his mind works," he said. Allen gave me one week to reassess the situation and make a recommendation.

July 11th: Espionage and Cow Manure

I haven't disclosed my conversation with Allen to Baba. But I also don't feel comfortable withholding such information from him; my work is beginning to feel more like espionage and less like business advisory support. I've spent this last week reaching out to third party labs to schedule product testing, but, unfortunately, given KiraFlour's remote location and the lab's limited capacity, it will take upwards of four weeks to receive a report. Given the upcoming harvest, we don't have that kind of time. I've also met with two food scientists in the area and while they provided suggestions on how to improve food safety at the facility, neither was willing to take a stance on the potential seriousness of the issue.

This morning, Baba and I traveled to central Tanzania to visit a group of KiraFlour's farmer suppliers. During our visit, we met with a number of farmers and I quickly noticed one alarming similarity across the group—all of the farmers are threshing their grains on cow manure. Threshing, the act of separating grains from the plant, is no easy task. In the absence of a mechanical thresher, farmers beat large piles of harvested crop with wooden sticks until the grains are fully separated. To aid in the process, farmers intentionally mix cow manure with soil to create a harder threshing surface. One of the most common methods of *E. coli* transmission in food products is through direct contact with cow manure. Not good! Our 'possible' *E. coli* contamination issue just became a 'likely' *E. coli* contamination issue. But, I later learned, the practice of using cow manure as an ingredient in threshing surfaces is age old.

July 13th: Decision Time

My work with KiraFlour has really worn on me. Seeing the obvious contamination source makes me kick myself even harder for how I initially failed to respond to the TCA report. I also feel torn between my duty as an employee to AgriFund and my loyalty to Baba. Given the nature of my position and the isolation of my role from the rest of the organization, I honestly feel more like an employee of KiraFlour than AgriFund!

Determining how AgriFund should respond is complicated, because our mission is to invest for a triple bottom line—to create financial, social, and environmental value—with each client. From a

financial security standpoint, it is easy to argue that the loan disbursement should be suspended until the issues are better understood. The social implications of our decision are less certain. The disbursement has been timed with the harvest of 450 farmers' sorghum, meaning that any delay can result in crop loss in the farmers' fields, potentially negating the economic impact to both them and the nearly two-dozen KiraFlour employees, including Mama and Baba.^b However, if the TCA report is true, financing the production and distribution of products containing *E. coli* presents significant societal risks. Tens, potentially hundreds, of thousands of people consume KiraFlour's products.

* * *

My "one week" is up and I have to call Allen this evening to give him my recommendation on the loan to KiraFlour. I've decided I'll let Baba know my decision before I call Allen. I'm headed over to KiraFlour now. In Baba's car.

^b AgriFund loans—a low-cost alternative to informal moneylending—are expected to support the working capital needs of agro-processors and their farmer-suppliers. The savings from lower interest payments under an AgriFund loan are expected to help agro-processors and their suppliers accumulate capital for reinvestment into their businesses, thus achieving better scale. KiraFlour, anticipating the AgriFund loan, has not lined up any moneylending options for the upcoming harvest.

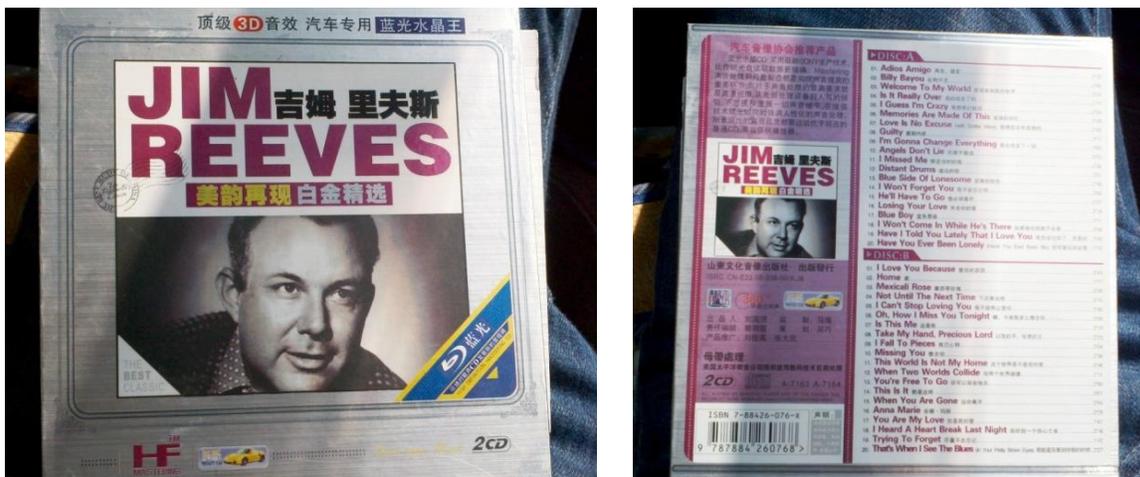
Exhibit 1 KiraFlour Company Profile

KiraFlour, a family owned company with 21 production workers and four management employees, was founded by Mr. and Mrs. Kiravu in 1981. The company specializes in the milling of various grain-based flours, including millet, sorghum, wheat, and maize, with sorghum flour comprising over two-thirds of its annual sales. KiraFlour currently sells throughout Tanzania, with distributors located in both the north and the south, and is actively taking steps to formally export to other countries within East Africa. KiraFlour's supply base comprises a combination of commercial farmers, agricultural traders, and smallholder farmer groups located across Tanzania. In many instances, KiraFlour is the only buyer for the smallholder farmer groups.

Mr. Kiravu, with 98% ownership of KiraFlour, serves as general manager while Mrs. Kiravu is employed as the operations manager. Since the mid-1990s, KiraFlour has received outside assistance from various development organizations to foster growth, receiving technical assistance in the form of processing and testing equipment.

Source: Casewriter.

Exhibit 2 Jim Reeves CD Set Given to Police Officer



Credit: Student casewriter.

Exhibit 3 NIH Description of *E. coli* and Related Health Effects

Outbreaks of foodborne disease caused by *E. coli* (*Escherichia coli*) bacteria have become a serious problem in the United States. *E. coli* O157:H7, one type of the bacteria, has caused illness and major disease outbreaks in this country. The Centers for Disease Control and Prevention estimates 73,000 cases of infection with *E. coli* O157:H7 and 61 deaths occur in this country every year. Cattle are the main sources of *E. coli* O157:H7, but these bacteria are also in other domestic and wild mammals.

Hundreds of *E. coli* strains are harmless, including those that thrive in the intestinal tracts of humans and other warm-blooded animals. These strains are part of the protective microbial community in the intestine and are essential for general health. Other strains, such as *E. coli* serotype O157:H7, cause serious poisoning in humans.

E. coli O157:H7 can produce one or more kinds of poisons that can severely damage the lining of the intestines and kidneys. These types of bacteria, called Shiga toxin-producing *E. coli* (STEC), often cause bloody diarrhea and can lead to kidney failure, especially in young children or in people with weakened immune systems. Most illness has been associated with contaminated food or water, contact with an infected person, or contact with animals that carry the bacteria.

Source: National Institute of Allergy and Infectious Diseases, National Institute of Health: <http://www.niaid.nih.gov/topics/ecoli/Understanding/Pages/Default.aspx>, accessed October 2011.