INDIGENOUS ENTREPRENEURS AND BATTLE FOR COMPETITIVE EDGE WITH MULTINATIONAL CORPORATIONS IN NIGERIA

LUKMAN RAIMI
De Montfort University, Leicester, UK

MOSHOOD ADENIJI BELLO
University of Keele, UK

MORUFU OLADIMEJI SHOKUNBI
Yaba College of Technology, Lagos, Nigeria

BOLAJI M. COLE
Yaba College of Technology, Lagos, Nigeria

Received: August 3, 2015  Accepted: January 15, 2016  Online Published: June 22, 2016

Abstract

This paper examines the plight of indigenous entrepreneurs and their battle for competitive edge with the Multinational Corporations in Nigeria. The research method is qualitative and analytical relying on previous scholarly works on this subject. The sourced data were analysed using critical discourse analysis. The authors found modernity theory most appropriate to underpin this study. The finding indicates that indigenous entrepreneurs lost competitive edge because of unequal balance of power with MNCs linked to lack of advanced technologies, poor managerial knowledge, low international social networks and inadequate institutional support from the government. The paper concludes that for indigenous entrepreneurs to regain its competitive edge with MNCs, the issues of advanced technologies, managerial knowledge, international social networks and institutional support must be addressed by the policymakers.

Keywords: Competitive Edge; Indigenous Entrepreneurs; Multinational Corporations.

1. Introduction

Nigeria is a populous country in Africa, accounting for about 47 percent of West Africa’s population, with a growth rate of 2.4 percent per annum (Ukaejiofo, 2010; Raimi, Shokunbi...
Presently, Nigeria’s population stood at 170,123,740 million (Central Intelligence Agency Factbook, 2011). Investment is encouraged as there are several incentives and opportunities for perspective local and foreign investors (Nigerian Investment Promotion Commission, 2013). Official data indicate that the micro, small and medium enterprises (MSMEs) sub-sector constitutes over 95% of the nation’s enterprises and proudly accounts for over 50% of formal employment (Alkali, 2008).

The country’s sound economic foundation was laid by the indigenous entrepreneurs at pre and post-independence era. It is therefore worthwhile investigating what accounted for the loss of competitive edge by indigenous entrepreneurs to multinational companies (MNCs) in Nigeria.

Indigenous entrepreneurship (IE, henceforth) is an emerging field of research which requires rigorous conceptual, theoretical and empirical studies from multidisciplinary lenses. Studies have shown that IE leverage on cultural networks of shared language, family connections, affiliation and communal social capital. Furthermore, the indigenous people in most regions of the world have created jobs; stimulate wealth creation and open-up export markets while retaining their cultural age-long cultural norms and traditions (Ashoka, 2014). From the foregoing, it could be inferred that social norms and cultural factors influence the nature, governance and management structures of indigenous enterprises (Bruton et al; 2008; Frederick and Foley, 2006; Lee-Ross and Mitchell, 2007; Rehn and Talaas, 2004; Peredo, et al, 2004; Banerjee and Tedmanson, 2007). These socio-cultural factors that have played significant role in the accomplishments IE in the past have now waned. What could be responsible for this? To reconnect with the past, governments and institutional bodies are deliberately promoting indigenous and mainstream entrepreneurs.

In Nigeria, the contributions of indigenous nationalities like the Yorubas in western Nigeria, Igbo in eastern Nigeria and Hausa-Fulani in northern Nigeria to entrepreneurship have been well documented in books of history. To these three groups, entrepreneurship is a culture and habit transferred from one generation to another (Raimi et al., 2012). Before the advent of colonial administration and emergence of MNCs, the Yoruba and Hausa indigenous groups were great entrepreneurs and small business owners in their respective regions. Among the Yoruba, the Maiyegun and Agbekoya farming communities were prominent in the south and east of Ibadan (Eades, 1980). The Igbos are globally recognized for their culture of entrepreneurship and enterprise development (Dana, 1995; Gabadeen and Raimi, 2012). The Hausa-Fulani communities are masters of the caravan trade and cattle-rearing.

Furthermore, Igbo, Yoruba and Hausa-Fulani indigenous entrepreneurs provided the platform on which the Nigerian economy prospered before colonialism and after colonialism. They were involved in artisanship, food processing, crafts, farming and merchandising. Those within the production line produced physical goods and sold the surplus goods to near and distant communities (Raimi, et al., 2010). However, the emergence of MNCs with their sophisticated business antics and foreign capital change the pendulum in their favour and consistently reduced the role of indigenous entrepreneurship in Nigeria.

Based on the foregoing, the purpose of this paper is to examine the plight of indigenous entrepreneurs and their battle for competitive edge with the Multinational Corporations in Nigeria. Apart from the introduction Section 1 above, there are five sections in this paper. Section 2 focuses on conceptual issues on indigenous entrepreneurship. Section 3 discusses the methodology with justification. Section 4 presents the findings from the critical discourse. Section 5 concludes with research implication and suggestion for future research.

2. Conceptual Issue and Theoretical Framework
The mainstream entrepreneurship is viewed as a resource-based process exploited by individuals as business opportunities for the creation and nurturing of new businesses in
Entrepreneurship has a distinct and specific socio-cultural connotation. To understand indigenous entrepreneurship therefore, it is necessary to ask: What is indigenous entrepreneurship? Hindle and Lansdowne (2005) define IE simply as the process of creating, managing and developing new commercial enterprises or ventures by indigenous people or communities. The definition emphasises three key points “creation, management and development of new ventures” (p.133). IE therefore describes a peculiar form of entrepreneurial ventures (commercial or social enterprises) owned and managed by family members of ethnic nationalities or indigenous communities known with certain cultural orientations (Berkes and Adhikari, 2005). Put differently, IE unlike the general entrepreneurship is a set of cultural values-based behaviours (Dana, 2006). Why has global attention and research focused on indigenous people/entrepreneurs and the need to revive indigenous entrepreneurship?

Indigenous peoples and their plights in entrepreneurship are important to the global community because they constitute about 5 percent of the world’s population. Pathetically, when summed up they are one-third of the world’s 900 million people described as extremely poor, marginalized, and vulnerable (Ashoka, 2014). Apart from pang of poverty, they also suffer lower education levels, and poor health (Peredo et al., 2004).

From the conceptualisation of IE, the battle for competitive edge between MNCs and indigenous entrepreneurs is a hegemonic issue; hence a strand of political economy theory called Modernisation Theory provides theoretical underpinning for the discourse. Modernisation theory is a framework for explaining transitional phases of societal development from traditional society (pre-modern era) to more advanced society (Andorka, 1993; Pursiainen, 2012). The theory views development as a continuum of passing phases and stages. For traditional societies to experience development and progress they must pass through certain stages that will eventually take them to modernity (Crewe and Harrison, 1998; Peredo, et al., 2004). Modernisation theory in its discourse makes use of structural processes terms like urbanisation, demographic development, improved living standards, industrialization, enhancement of welfare system and other terms that connotes progressive advancement (Pursiainen, 2012).

The proponents of modernisation theory therefore situate ‘modernisation and development’ on the same pedestal and are synonymous terms. Andorka (1993:317) provide reason for the link, that within the modernisation theoretical perspective, a society is described as modern or modernized, when five processes are identified. These include: structural changes, improvement in living standards of the people, development of a welfare system; embedment of democracy (democratization) and development of modern values and norms. When the theory is applied to the theme of this paper, the implication is that MNCs are products of modernisation and progressive society; hence they have all the requisites of modernity, which gave them competitive edge over IE structurally and functionally. The IEs on the other hand are still operating within the framework of traditional institutions, social network, age long traditional culture, old social norms and diverse languages which have been described as hindrance to progress in the modern times (Peredo, et al., 2004).

To enhance their economic visibility and competitiveness in the Nigerian business environment, there is need for IE to transit from traditional practices and standards which underpin their present operations to modern practices and standards which are the core values of the MNCs. Figure 1 theorizes the rational for wide gap or competitive edge between MNCs and IE. The gap is historical; while the MNCs operate with modern values and standards, the IE operate based on inherited traditional values and norms handed over by previous generations. From Figure 1, the competitive edge of MNCs manifests in three ways:
deployment of advanced technology, managerial knowledge and international social networks.

Figure 1 – Theoretical framework

3. Methodology
The paper adopts the qualitative research method relying on documentary sources and journal articles on the subject. The sourced data were analysed using critical discourse analysis (CDA). The CDA as a form of discourse analysis examines how phenomenal issues like social power or hegemony, dominance, inequalities and other vital constructs are used and contested within socio-political contexts (Van Dijk, 2001; Mason, 2012; Fairclough, Mulderrig and Wodak, 2011). The CDA is appropriate because indigenous entrepreneurship has become a registered language in social discourse and indigenous entrepreneurs have suffered economic abuse and deprivation from MNCs.

4. Findings and Discussions
Critical review of the literature unveil the following findings as the exploits of indigenous entrepreneurs and the external and internal factors that precipitated loss of competitive edge to MNCs.

4.1. Exploits of Yoruba, Igbo and Hausa-Fulani
For the Yoruba ingenious entrepreneurs, historical account by Olalere (2013) revealed that 200 years before independence, the Yoruba people from Oyo, Saki, Ogbomoso Ilorin, Igboho and other groups had recorded landmark achievements in entrepreneurship in their local communities. With time, they extended their social networks to Gold Coast (now Ghana) and other parts of Africa because they identified economic opportunities beyond the shores of Nigeria.

The major merchandises they traded were assorted clothes, hardwares, kola nuts, dried pepper, motor cycle or bicycle parts and locally manufactured equipment and household utensils. In Ghana, the Yorubas as a group were formidable and united; they rented a third of the 700 stalls and built additional 200 to fortify their businesses. Yoruba people had the credit before the British to explore Ghana for other Nigerians. Yoruba impacted on social and spiritual wellbeing of Ghana, as accomplished entrepreneurs they built schools, houses and
Fulani people had positive records in entrepreneurship at pre and post-independence era. Their caravan trade carried livestock, salts, leather products and textiles for sale to people from other regions (Norris 1984; de Haan and van Ufford, 1999). Even at the level of regional trade relations, the Hausa-Fulani had competitive edge on livestock rearing till date because the southern parts were geographically unsuitable to stock breeding (de Haan and van Ufford, 1999; Folami and Akoko, 2010).

Kerven (1992) explained that the Hausa-Fulani communities monopolised long distance trade in West Africa, a role they shared with only the Dyula traders. They traded with the Ashante in Ghana, and their caravan chain extended to present-day Benin Republic, Togo and Kankan in north-east Guinea. In the present day Nigeria, the Hausa-Fulanis are cereal cultivators and livestock producers (Folami and Akoko, 2010). The exploits of Hausa-Fulani people is largely shaped by a number of “cultural, attitudinal, and performative indicators” which are believed to have strengthen what has come to be known as Hausa identity (Ochonu, 2008). Pierce (2005) had alluded to similar viewpoints that Hausa identity could be described as a distinct ways of making a living and lifestyle generally.

The facts that have emerged from the critical discourse is that the three indigenous ethnic groups were successful entrepreneurs because they had good knowledge about their environment, strong social networks based on family ties and cultural norms, willingness to undertake risk and strategic migration for opportunity seeking. In spite of these strengths they lost competitive edge to MNCs. Why? The next section unveils the factors.

4.2. External Factors affecting Indigenous Entrepreneurship

Technology and Managerial Knowledge: MNCs maintained competitive edge because their enterprises are technologically advanced, manufacturing-oriented, and mining-inclined with higher capacities than indigenous companies (Malgwi et al., 2006). Whereas, the indigenous entrepreneurs still rely on traditional knowledge, local technology and socio-cultural norms for running their enterprises, whereas access to advanced technology and managerial knowledge are critical factors that gave MNCs and retuning entrepreneurs leverage in emerging economies (Dai and Liu, 2009). Even economic theory acknowledges the advantage of technology as catalyst of innovation and creativity which stimulate entrepreneurial activity (Schumpeter, 1950).

Managerial knowledge enhances understanding of the complexities of global business operations, the characteristics of foreign markets, the business climate and cultural patterns
Managerial knowledge is an intangible asset of MNCs; its benefits include enhanced information on access to labour force, infrastructural needs, distribution channels, raw materials and other requirements for running successful businesses (Dai and Liu, 2009; Makino and Delios 1996).

**Corruption, Bribery and Money-laundering:** MNCs in their attempts to have competitive edge in Nigeria employed bribery, money-laundering and corruption as potent vehicles for circumventing local norms, economic interests and hegemony (Anzaki, 2015; Geo-Jala & Mangum, 2000; Otusanya, 2011). Geo-Jala and Mangum (2000) explained the Watergate scandal which involved the American corporations as form of bribery and illegal payments made by MNCs to Nigerians to gain competitive business advantages in developing countries. It has been proven that MNCs do this to degrade the governing system in the developing country. MNCs when viewed from a broader perspective of international capitalism, represent the engines of corruption in the Nigerian socio-economic and political context; They have succeeded in designing corporate policies and strategies which circumvent extant laws and regulatory framework in the country, an approach which contradicts their claim in annual reports and media that they are socially responsible and accountable (Otusanya, 2011). This ugly development put MNC at vantage position over indigenous entrepreneurs.

**Destructive Governance and Predatory War:** MNCs encourage destructive governance by fuelling conflict for supremacy among contending political actors with the aim of having exclusive control of the resources while the political contestation continues. Some MNCs instigate wars among the indigenous communities and while the war rages, the natural resources of the warring countries are exploited and stolen. Porter (2003:3) states that developing countries suffer set-back “because of internal economic and political disorder and destructive and predatory alliances among multinational capitalism, Western governments, and African dictators”. This strategy facilitates “the predation of resources – its illicit taking by more dominant parties – and consequent territorial dispossession, loss of culture and identity, and the often justified feelings of betrayal and anger” (Carleton, 2014:56).

Tsabora (2014) expatiated that MNCs exploit natural resources in most warring African countries. Between 2008 and 2010 alone, natural resources worth US$ 63.4 billion was illegally stolen from Africa, an amount which exceeds US$ 62.2 billion given to Africa as foreign investment and aid. In the Niger-Delta, where indigenous communities have been rendered useless, unemployed and hopeless, the use of predatory antics for land and oil-fields acquisitions has been well documented. The Petroleum Information Bill (PIB) is a bill to strengthen indigenous Nigerian companies in the oil & gas sector to compete with MNCs (NEITI, 2015). Similarly, Reno (2000) identifies illegal exploitation of diamonds as the underpinnings of endemic war in Angola between two militia groups. The MNCs are the buyers of the blood diamonds and facilitated supply of ammunitions to both parties. Indigenous communities and entrepreneurship suffered on account of these wars, as a result of endemic looting and political instability.

**Foreign Direct Investment (FDI):** FDI has been described by economists as strength for the developing countries, whereas, it is inimical to indigenous entrepreneurs development in several ways. The MNCs from Europe, America and China have utilized FDI for their national interests, although some economic benefits accrue to recipient nations (Motano and Qing, 2014). The state-owned multinational oil corporation - CNOOC has acquired prospective licenses for oil exploration in Nigeria, Morocco and Gabon. In the ICT sector of the developing countries including Nigeria, ZTE Corporation, Huawei Technologies, CL and
Strategic Seizures: With regards to seizures, the MNCs in collaboration with corrupt politicians, traditional leaders and global financial institutions resorted to tacit seizure of massive land resources in some parts of Africa without adequate compensation or restitution (IRIN, 2009; Schoneveld et al., 2010). This approach serves two purposes in the oil comminutes. One, the indigenous communities in the oil producing areas are “‘cheated’ out of a fair share of oil revenues”; and two, the indigenes are made to bear the brunt of oil pollution, unemployment, destruction of arable land for commercial farming, extreme poverty, ravaging youth unemployment, discriminatory practices in trade and employment and other unethical conducts (Obi, 2009:106). In the non-oil communities, the MNCs collude with governments of Africa to seize rich arable land from the indigenous framers for mechanized farming with the intent of producing food and cash crops for export (Hornborg, 2009; Sachs, 2011). They secure land without regards for the traditional land rights of the indigenous communities (Motano and Qing, 2014).

The Economist (2009) reports that in 2006 alone, a total of 15 million to 20 million hectares of farmland had been secured for biofuel and food production by MNCs. In terms of ratio, 70% of the pieces of land so far grabbed are from Africa, and the investment on such land totaled between US$20bn and US$30bn (Adusei, 2010). Nigeria occupies number 10th position in the list of countries where this illegal seizure of land is taking place. In Ghana, the policy has forced several indigenous farming communities and rural inhabitants to migrate to cities and urban areas in search non-existing jobs (Davis, 2006). The long-term devastating consequences of forceful sale of land in developing countries are abrupt end of small-scale farming and termination of rural livelihoods (Grain, 2008).

4.3. Internal Factors Affecting Indigenous Entrepreneurship

Indigenous entrepreneurs suffered in Nigeria because of several factors linked to lack of institutional support services from formal market-supporting institutions like banks and government agencies (Biggs and Shah, 2006; Raimi, Shokunbi and Peluola, 2010). Environmental challenges stifling indigenous entrepreneurship in Nigeria include high taxes, complex tax regulations, inadequate infrastructure, rising rate of inflation, weak labour regulations, and rigid regulations on starting and running a business (Kisunko, Brunetti and Weder, 1999).

With specific reference to Nigeria, a number of scholars noted that Nigerian entrepreneurs suffer harassment, extortion from public officials and deficient infrastructure especially roads, water shortage, erratic supply of electricity and poor telecommunication (Mambula, 2002; Chu, Kara, Benzing, 2008). Besides, the most critical challenge facing entrepreneurs is access to credits from financial institutions (Ariyo, 2000; Raimi et al., 2012). Other challenges are lack of infrastructure, cumbersome government regulations and restrictions on equity/ownership structure in the case of MNCs (Cotton and Ramachandran, 2001). Furthermore, the World Bank (2014) identified access to finance, access to land, corruption, constraint of license & permits, electricity, paucity of educated workforce, political instability, multiple taxes and others as major factors affecting entrepreneurship in Nigeria.

The internal factors discussed have been worsened by unstable socio-economic and political climates, which seriously undermine growth of entrepreneurship and small business development in developing nations and consequently low market participation (Biggs and Shah, 2006). Militancy in the Niger-Delta and Boko Haram in northern Nigeria are classic examples of political instability affecting national development (Adebakin and Raimi, 2012).
Apart from the issues of environmental constraints and security challenges discussed above, African countries in general are prone to economic shocks arising from unfriendly climatic conditions, distress in agriculture, sudden conflicts, terms-of-trade shocks, frequent policy changes and poor management policy measures, institutional corruption, infrastructure deficits et cetera (Biggs and Shah, 2006).

5. Conclusion and Implications
This paper sets out to examine the plight of indigenous entrepreneurs and their battle for competitive edge with the MNCs in Nigeria. On the strength of the modernisation theory, the finding indicates that IE lost its competitive edge to MNCs which are technologically advanced and possess higher capacities than indigenous companies operating in Africa (Malgwi et al., 2006). Also, the indigenous entrepreneurs are affected by a number of external and internal factors. From the foregoing critical discourse, the MNCs would continue to enjoy competitive advantage until IEs has an enabling environment supported by friendly government policies to thrive. To enhance the visibility and competitiveness of IEs, the traditional knowledge, social norms, ethnic and family social networks which are the strengths of indigenous entrepreneurs need to be fortified with advanced technology and managerial knowledge. This paper has taken a theoretical approach to analyse the MNCs competitive edge over IEs, in Nigeria, in particular. There is need for an empirical study or cross-sectional study to validate the findings in this paper. After all, IEs and MNCs abound in other West African countries; are the IEs in this region facing the similar challenges from their respective MNCs? We need to know.

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