ENTREPRENEURSHIP OPPORTUNITIES AND CHALLENGES IN NIGERIA.

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ABSTRACT

This paper examines Entrepreneurship opportunities and challenges in Nigeria. The paper sees entrepreneurship as the process of creating something new with value by devoting the necessary time and effort, with the accompanying financial and social risks, and receiving in return monetary rewards and personal satisfaction and independence. The paper show that there is increasing interest on Entrepreneurship by consumers, business people and government officials which is manifested in increasing research on the subject and the realization that it quickens the process of industrialization, employment creation and poverty reduction. The analytical tool adopted for this paper is descriptive method, which centered on looking at the different theories of entrepreneurship and drawing inferences from them. The paper identified three main ingredients that can facilitate entrepreneurship opportunities in Nigeria. It include: Creating a Vision, Leveraging Your Strength, and Figuring out What the Market’s Needs. The paper concludes that entrepreneurship is essential for rapid and sustained economic growth but there is urgent need to change the mindset of the average Nigerian especially the youths towards embracing Self Employment and de-emphasize the search for white collar jobs that are non-existent.

INTRODUCTION

Over the past decades, due to constant internal and external pressures of low capacity production, massive unemployment and poverty, collapsed infrastructural facilities, poor governance structure, massive corruption, insecurity of life and property, political instability and poor macroeconomic management. The economy seems to have lost its focus and thus is yearning for quick intervention. The oil boom has destroyed and distorted our attitude to work (resource course) and this has affected the psychological quotient of an average Nigerian who prefers to avoid investments that require special expertise and innovation. In addition, the school curriculum is largely not geared towards equipping students with skills required for self-employment. Consequently, thousands of graduates from our tertiary institutions are roaming the streets in search of jobs that are non-existent.

Nigeria is blessed with abundant human and natural resources which if properly harnessed would have turned this country into a developed economy. But given the massive corruption, lack of commitment, the dominant role of the public sector in the economic life of the nation, the country has lost opportunities for growth and sustainable development.
It is in an attempt to reverse this decline in the nation’s economy, that current government policy of private sector led growth for job- and wealth creation which is anchored on Entrepreneurship is being pursued with vigor. In this new dispensation, government is to provide an enabling and conducive environment for the private sector to thrive. This could only come from a total change of attitude and a genuine embrace of entrepreneurial development which is a contemporary phenomenon now. Globalization calls for value creation and greater competitiveness for Nigeria not to loose out. Youth and graduate unemployment can be drastically reduced if graduates/youths are empowered to be job creators or value adding employees not job seekers.

The objective of this paper is to examine what needs to be done for Nigeria to unleash and harness the entrepreneurial spirit of its people to enable it become an economic giant in the nearest future.

The rest of the paper is divided into five sections. Section one is on the concept of entrepreneurship, section two is centered around the theories of entrepreneurship, section three deals with entrepreneurship opportunities in Nigeria, section four is on the challenges of entrepreneurship in Nigeria, and section five concludes the paper.

1.1 Concept of Entrepreneurship

The whole idea about entrepreneurship is about self-employment, which will generate employment opportunities to others that must work with him as he cannot work alone. Entrepreneurship is the most effective method for bridging the gap between science and the market place, creating new enterprises, and bringing new products and services to the market. These entrepreneurial activities significantly affect the economy of an area by building the economic base and providing jobs. According to Peter Drucker (1970) and K. Knight (1967), Entrepreneurship is about taking a risk. (i) It is the process of creating new values that did not previously exist. (ii) It is the practice of starting new organization, especially new businesses. (iii) It involves creation of new wealth through implementation of new concepts. Drucker believes that what entrepreneurs have in common is not personality traits but a commitment to innovation. For innovation to occur, the entrepreneur must have not only talent, ingenuity and knowledge but he must also be hardworking, focused and purposeful.

Howard Stevenson of Harvard University, defined Entrepreneurship as the pursuit of opportunities without regard to resources currently controlled. To be enterprising is to keep your eyes open and your mind active. It is to be skilled enough, confident enough, creative enough, and disciplined enough to seize opportunities that present themselves regardless of the economy. (Nwafor 2007). Robert Hisrich (1985) looked at entrepreneurship as the process of creating something different with value by devoting the necessary time and effort, assuming the accompany financial, psychological, and social risk, and receiving the resulting rewards of monetary and personal satisfaction. Developments in entrepreneurship are sometimes seen as arising from three sources, namely: (a) from the contributions of economic writers and thinkers on the role of the entrepreneur in economic development and the application of economic theory. (b) from the psychological trait approach on personality characteristics of the entrepreneur, and (c) from social behavioral...
approach which stresses the influence of social environment as well as personality trait. For the purpose of this paper, we shall adopt the economists/managerial perspective to define entrepreneurship.

McGrath and MacMillan in The Entrepreneurial Mindset identified five characteristics of habitual entrepreneurs: (i) They passionately seek new opportunities: are alert, always seeking for the chance to profit from change and disruption in the way business is done. (ii) They pursue opportunities with enormous discipline: are not only alert to spot opportunities, but make sure they act on them. Most maintain an inventory of unexploited opportunities and invest only if the competitive arena is attractive and the opportunity is ripe. (iii) They pursue only the very best opportunities and avoid chasing after every option: are ruthlessly disciplined about limiting the number of projects they pursue and go after a tightly controlled portfolio of opportunities in different stages of development. (iv) They focus specifically on adaptive execution: rather than analyzing new ideas to death, people with entrepreneurial mindset execute. Yet they are adaptive – able to change direction as the real opportunity, and the best way to exploit it evolves. (v) They engage the energies of everyone in their domain: involve many people, inside and outside the organization in the pursuit of an opportunity. They create and sustain networks of relationships rather than going alone, making the most of the intellectual and the other resources people have to offer and helping those people achieve their goals too. (Soyibo 2006)

According to Aruwa(2004) It is the ability some people have to accept risks and combine factors of production in order to produce goods and services. It can also be seen as the willingness and ability of an individual to seek out investment opportunities in an environment, and be able to establish and run an enterprise successfully based on the identified opportunities.

Current and Stallworth(1989) state that entrepreneurship is the creation of new economic entity centered on a novel product or service or, at the very least, one which differs significantly from the products or services offered elsewhere in the market. Schumpeter(1911) insists that only certain extraordinary people have the ability to be entrepreneurs and they bring about extra ordinary events.

Okpara(2000) argues that: an entrepreneur is a human bulldozer, who can convert a stumbling block into a stepping stone. To an entrepreneur there is no mountain that is unmovable. He is a creative and aggressive innovator who promotes the necessary relationships required for the new business to come into existence. He is the person who identifies an investment opportunities; he makes the decision as to the opportunities to exploit; he promotes and establishes the business; he is the one who combines the scarce resources required for production and distribution; he organizes and manages the human and material resources for the attainment of enterprises objectives; he is the risk bearer; he is the one who bring about improvement on the methods of doing things.

Soyibo(2006) defined entrepreneurship as the process of identifying an opportunity related to needs satisfaction and converting it to a thing (product or service) of value. It can also be conceptualize to mean the process and activities undertaken by entrepreneurs directed at capturing value associated with business opportunities. It can be seen as a process driven by the desire to innovate; that is producing new things(goods and services; processes or approaches) or improving on existing ones, and profiting from it.
Entrepreneurship is concerned with wealth creation through the creation of value rather than its manipulation. It involves the destruction of existing market structures by the creation of new markets (or reduction in market shares of current leaders) through improvement of existing products or the development of entirely new products. This is what Shumpeter called creative Destruction. Soyibo(2006).

Many people wrongly assume that anyone who manages a large company is an entrepreneur. It should be noted that many managers of big companies carry out decisions made by higher-ranking executives. These managers are not entrepreneurs because they do not have final control over the company and they do not make decisions that involve risking the company’s resources.

Entrepreneurship is not just about establishing a business or doing business; it is not just about making money; it is not just about profiting from making contracts; it is not just about buying and selling; it is not just about short-changing others to make money; it is not just about portfolio carrying businessmen looking for contracts. It is about having the ability and willingness to take risks and to combine factors of production in order to produce goods and services that can satisfy human wants and create wealth. Some basic characteristics of entrepreneurs include: Ambition; Optimism; Achievement orientation; Independent mindedness; Goal orientation; Individualism; Future orientation; Self-confidence; Open-mindedness and Tolerance for ambiguity.

1.2 Entrepreneurship Theories

Early scholars viewed entrepreneurship from different dimensions, they describe entrepreneurship from the perspective of functions of an entrepreneur, which include as an inventor, imitator, innovator, or more appropriately as a calculated risk taker.

Richard Cantillion was the first to recognize the crucial role of the entrepreneur in economic development, which was founded on individual property right. He said that the essence of the function of the entrepreneur is to bear risk (uncertainty).

Kirzner saw entrepreneur as someone who is alert to profitable opportunities for exchange. He operates on opportunities that arise out of new technology.

Schumpeter introduced the concept of innovation and power. He believes that entrepreneurs brings about change through the introduction of new technological processes or products. Schumpeter argues that only certain extraordinary people have the ability to be entrepreneurs and they bring about extraordinary events. He disagrees with Weber and other theorists of entrepreneurship that entrepreneurship is a function of social, cultural or religious factors, rather, he believes that individuals are motivated by Atavistic will to achieve power. He insists that this desire could occur randomly in ethnically homogeneous group.

Knights view of an entrepreneur is one of a calculated risk taker. The entrepreneur is an individual who is prepared to undertake risk and the reward (profit) is the return for bearing uncertainty, and is an uninsurable risk.

Casson recognizes that the entrepreneur will have different skills from others. These skills enable the entrepreneur to make judgments, to co-ordinate scarce resources.
Shackle introduced the concept of ‘creative and imaginative thoughts’. Uncertainty gives rise to opportunities for certain individuals to imagine opportunities for profit.

Max Weber, a German published his work on Protestant Ethics and Spirit of Capitalism in 1958. He argues that business leaders and owners of capital, as well as the higher grades of skilled labour, and even more, the higher technically and commercially trained personnel of modern enterprises are overwhelmingly Protestants, especially in western Europe. Before coming to this conclusion, Weber surveyed the main participants of different religions, Protestants, Catholics and Muslims, in order to find out their attitude and behavior toward profits. Consequently, he concludes that the Protestant ethics tends to go well with high profit generation and accumulation of capital.

Psychologist McClelland introduced the concept of need for achievement and goal setting. He argues in his book “The Achieving society”, that the drive towards achievement is the basis of activity for most entrepreneurs. He used the Jew in his illustration. According to him, the Jewish child is shown from the beginning that he has to maintain and remain on top in order to counteract the attitude of the society to him. McClelland concludes that because of this method of rearing, which the Jewish operates, they are always on top and strive for excellence anywhere they live.

Hagen, in his book, “The theory of social change”, argue that creative personality in an individual is characterized by high need for achievement, law, order, autonomy, and problem solving. Economic development, to him, is basically a process of ecological change brought about by the technological activity of individual concerned. He sees the entrepreneur as a reactive problem solver, interested in solving practical problems in most cases through the application of creativity. At times, entrepreneurs are motivated by some internal forces as a duty to do something unique before they die.

1.2 Entrepreneurship Opportunities in Nigeria

Most good business opportunities do not suddenly appear, but rather result from an entrepreneur’s alertness to possibilities or, in some cases, the establishment of mechanisms that identify potential opportunities. Most entrepreneurs do not have formal mechanisms for identifying business opportunities, some sources are often fruitful. These include Consumers and business associates, members of distribution system, and technical people. Often, consumers, such as business associates purchasing products to fit a certain lifestyle, are the best source of ideas for a new venture. It is usually very common to hear people say “if only there was a product or service that would”

This comments usually results in the creation of a new business. Many businesses have started as a result of complain about poor quality or high cost of the product or service by the consumers. Many other entrepreneurs have identified business opportunities through a discussion with a retailer, wholesaler, or manufacturer’s representative. Technically oriented individuals often conceptualize business opportunities when working on other projects.

There are several Entrepreneurship opportunities in Nigeria. According to the Nigeria Small and Medium Scale Enterprises Toolkit, Developing a Business Idea is (a) A Matter of creating a Vision, (b) Leveraging your Strengths, and (c) Determining What the Markets Needs. (http://nigeria.smetoolkit.org)

(i)  Create A Vision
The Toolkit says you should Envision what you want by Answering the following questions: (a) Where do you Live? (b) How do you spend your Days? (c) What kind of Work do you Do? (d) Do you Work alone or with Others? (e) Who are you Surrounded By? (f) What do you do when you are not Working?

(ii) Leverage Your Strengths
Determine What you Good At: (a) Everyone is Good at Something. (b) Your Skills can be a foundation for a Business (c) Many Entrepreneurs have Ended up Making Money in Areas Outside their Profession. (d) List the Things you Enjoy Doing (e) Itemize the Skills you’ve Acquired Over the Years.

(iii) Figure Out What The Market Needs
Keep your Business Antenna Up, With an Eye For Unfilled Opportunities. (a) Is there a Gap in the Market? (b) Is there a Market in the Gap? (c) Is there a Product or Service that Would Make Life Easier for People you Know? (d) Is there Something that Everybody Hates to do that you can do for Them?
Your ability to answer these questions will open up Entrepreneurship opportunities for you.

1.3 Challenges of Entrepreneurship in Nigeria

(a) Lack of knowledge in the Basic Sciences and Technology
The role of entrepreneurship in economic development involves more than just increasing per capital output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. One theory of economic growth depicts innovation as the key, not only in developing new products or service for the market but also in stimulating investment interest in the new ventures being created.

In spite of the importance of investment and innovation in the economic development of the society, there is still a lack of understanding of the product-evolution process. This is the process through which innovation develops and commercializes through entrepreneurial activity, which in turn stimulates economic growth. The critical point in the product – evolution process is the intersection of knowledge and a recognized social need, which begins the product development phase. This point, called iterative synthesis, often fails to evolve into marketable innovation and is where the entrepreneur needs to concentrate his or her efforts. The lack of expertise in this area – matching the technology with the appropriate market and making the needed adjustments – is a fundamental challenge of entrepreneurship in Nigeria. It is therefore regrettable that education is yet to be accorded the priority it deserves in Nigeria.

(b) Lack of Strong Patent Law
A serious challenge that entrepreneurs face in Nigeria is the level of competition from foreign producers. The local entrepreneurs are not protected, the situation is worsened by the apparent lack of faith in the Nigerian Patent Law which many entrepreneurs feel offers them little protection against piracy.

(c) High Cost of Doing Business in Nigeria
Entrepreneurs are in business (take risk) because they want to make profit. Where the expected returns from a venture is lower than the opportunity
costs, it will act as a disincentive for the entrepreneur. Due to collapsed infrastructural facilities and unbridled corruption, where entrepreneurs have to spend huge sums to provide some basic infrastructure and bribe government officials, it makes the costs of doing business in the country to be too high with adverse implication for profitability.

(d) Inappropriate Incentive Structure (Resource Course)

The oil boom has destroyed and distorted our attitude to work, and this has affected the psychological quotient of an average Nigerian who wants quick money. Policy instability creates an atmosphere of uncertainty. The incentive structure that is generally biased in favor of activities with relatively short transaction cycles and quick returns discourages innovation and entrepreneurship.

1.4 Conclusion

Entrepreneurship is essential for rapid and sustained economic growth and development. It creates the required manpower and skills necessary for accelerated growth, reduce unemployment and poverty. It is therefore strategic and wise for Nigeria to assign a significant and increasing role to entrepreneurship in their effort to revamp the economy.

For the entrepreneurs to be effective in creating wealth and employment opportunities. The government needs to create an investor-friendly environment encompassing stable macro-economic policies. Government need to address urgently the dilapidated infrastructural facilities in the country, starting with the power sector, roads and railways, provide adequate security and give every citizen the sense of belonging.

The educational sector needs to be revamped with emphasis on science and technology. There is need to change the mind set of young people to embrace self employment rather than waiting for non-existing government job.

Lastly, there is the need to ensure that those with innovative ideas are provided with the financial support to translate such ideas into reality.

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