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# ENTREPRENEURSHIP AND INNOVATION: A NECESSARY TOOLS FOR ATTAINING SUSTAINABLE SMALL AND MEDIUM SCALE ENTREPRISESS IN NIGERIA.

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## ABSTRACT

*Entrepreneurship activities bring about business and production innovation with resultant growth in enterprises and industrial organizations. Entrepreneurship development is also known as a key enabler of economic development; hence it has been contemplated in the strategic plans of various countries. From history, entrepreneurship development in Nigeria is a late starter as the indigenous entrepreneurs were never allowed to develop by the colonial entrepreneurs. The promulgation of the Nigerian Enterprise Promotion Decree of 1972 provide stimulus for entrepreneurship development via small and medium scale enterprises promotion. Private businesses sprung and grow generating employment, income and increase in GDP. For the time being, Nigerian entrepreneurs have ventured into the less-explored areas of telecom, transport, hospitality, food processing, ICT services etc. The Nigerian government has supported entrepreneurial ingenuity through various programs to encourage self employment, income empowerment, social cohesion, technical progress and economic development. Entrepreneurship development still remains the strong policy option for developing Nigeria's manufacturing and industrial sectors. With increase in government support, exploration of new areas of competitive and natural advantage by entrepreneurs, among others, Nigeria will stand a better chance of increasing her pace of economic development and optimum level of national integration and unity. Secondary method of data collection were employed by the researcher, where by literatures of other authors were reviewed. The findings of this research show that, influential entrepreneurship policies at both macro and micro levels are not generally forward-looking and supportive of entrepreneurship development due to inherent corruption in the system. Nevertheless, some recent government policies like the Youth Enterprise with Innovation in Nigeria (YOUWIN) on entrepreneurship promotion in the*

*country deserve commendation. The research recommends the need for entrepreneurship development for job creation and sustainable economic growth and development.*

## Introduction

Since ancient times man has designedvarious ways of surviving in his environment, gathering food and hunting for games. As years go by, he modifies his survival techniques from being a wonderer and shifting cultivator to a sedentary/intensive farming, arts and crafts. His pragmatic disposition has resulted in innovative and better ways of harnessing the opportunities and potentials of his environment for welfare maximization and economic development. The industrial revolution of the late 1780s in Europe and early 19$^{th}$ century in America influenced significantly work ethics, organizational behavior, thinking and management of productive resources (land, labour, capital and enterprise). Thus, the phenomenon is growth of the economy is attributable to enterprising management of resources where entrepreneurship is a very important factor of production that co-ordinates the potential factors of production such as land, labour and capital.

According to Say in 1803, as cited by Hisrich and Peters (2002), an entrepreneur is someone who consciously moves economic resources from area of low yield to area of high ield. He redeploys people, material, money and co-ordinates the processes necessary for efficient large scale industrial/trade development. Schumpeter (2008) added that the entrepreneur is the motive behind capitalist development. Entrepreneurship spirit pervades all economies (though more with free market or capitalist economies) and is considered the bedrock of modern economic development through innovation, technological break through and by developing untried technologies.

The entrepreneur in his entrepreneurial activities can bring about increase in production, create employment, income, facilitates rapid growth of micro, small, medium and large scale enterprises to reduce poverty and hunger among the people. Given this background it is thus imperative to explore the extent to which entrepreneurship contributes to innovation and growth of enterprises/industries in Nigeria. This, of course, is the focus of this paper.

## 2.0 Conceptual Framework and Literature Review

Literature abounds as to what entrepreneurship is all about. Davis in 1983, as cited in Igbo (2005) sees entrepreneurship as the creation and running of one's own business. Timmons in 1987 also cited in Igbo (2005), sees it as the creation, building and distribution of

something of value from practically less valuable to individuals, groups, organizations and society. He summed up by stating that it involves planning and organizing small business ventures through the mobilization of people and resources to meet people's needs.

According to Schumpeter (2005), entrepreneurship is a process of change where innovation is the most vital function of the entrepreneur. It is the basic requirement for economic development in a free enterprise or mixed economy where innovation is the basis of development. Innovation in a system can increase the marginal productivity of the factors of production, Historically entrepreneurship development in Nigeria has remained excluded from industrial policy until changes began to occur in 1980s due to am bivalency of competition and increasing service sector.

According to Audretsch and Thurik (2001) the role of the entrepreneurial sector changed when industrial comparative advantages shifted towards knowledge-based economic activities. Large firms lost their competitive edge while smaller and more flexible entrepreneurial firms gained new importance in the increasing knowledge-based economy. New dynamic ventures are acknowledged drivers of innovation.

Associated with entrepreneurship is the concept of **intrapreneurship**. This involves entrepreneurship ingenuity and spirit within an organization rather than outside. It provides opportunities to hard-to-find key employees of an organization to unfold their potentials, performance and hard work to earn a reward or share in the profit or revenue generated by his ingenuity for the enterprise. The concept of intrapreneurship is beginning to spread rapidly in modern times.

An entrepreneur possesses the following characteristics and traits:

- ✓ **Personal attributes and traits:**
- ✓ **Creative attributes or technical skills**.
- ✓ **Business management skills**:

The entrepreneur should be able to keep proper accounting records, financial/investment details, promote sales, communicate effectively to give clear instructions and direction and build a good feasibility studies. He should be able to exploit the (SWOT) in his environment for survival in a competitive environment.

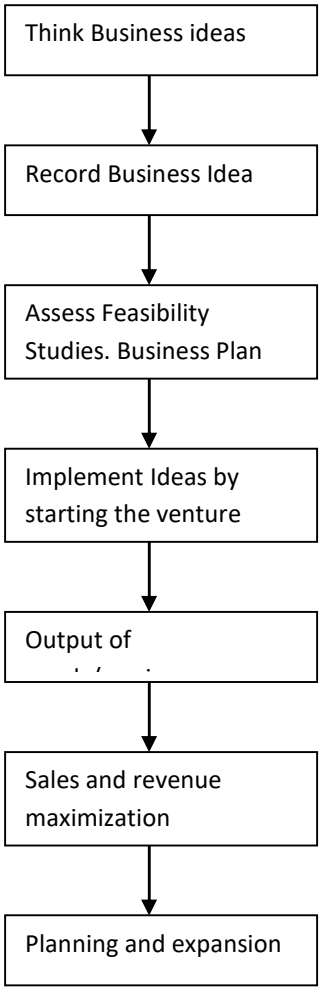
**2.1 Concept of Innovation and Entrepreneurship Process** Fundamentally innovation has to do with changes leading to improvement in the quality and quantity of products as

well as techniques of doing things. Innovation is dynamic and creates new things out of existing ones.

Through innovation, the entrepreneur introduces new production techniques, new commodities, improve on existing ones, open up new markets, explore new source of raw materials and design new techniques of management. Research and Development Programs are formal avenues of introducing or inculcating innovative skills in the entrepreneur. These skills are what the entrepreneur translates into business establishment and development.

The process of entrepreneurship starts from the generation of business idea, through implementation to the realization of output and profit as shown bellow:

**2.2 Flow of Business Process**



**2.1 Business Ideas**

Business ideas and opportunities come from a variety of ways according to Hisrich and Peters (2002). These include:

- **Consumers**.
- **Existing business**
- **Research and development**
- **Distributive channels**.
- **Governmental activities**.

**2.2.2 Developing a Business Idea**

The translation of business idea into a business venture takes the following process.

When a business idea struck an entrepreneur, the first thing is to *write it down* to avoid forgetting it. The various ideas that have been so recorded are then screened and the feasible or plausible and more profit-oriented ones selected for implementation. A good feasibility or ***business plan*** must be systematic and integrates market, finance, production and human resources. It should have:

**1**. A clear ***mission statement*** of the business line to be involved.
**2.** A design of ***production, process, detail logistic and operational activity plan*** of a complete business circle
**3.** A detail ***marketing and sales plan.***
**4.** An ***organizational plan of administrative relation.***

2.2.3**Converting Business Idea to Reality**

Just as it could be difficult choosing the best business to pursue, so also is the difficulty to get it started. It may take many years to get off the ground a business plan. The entrepreneur needs to struggle to obtain the basic and necessary facilities to get the new business off the ground. He should not spend the whole time planning but review his initial plan, jump in and get started. He should stop talking about the business instead of starting it up because action speaks louder than voice.

Execute your business with excellence focusing on customers' needs/satisfaction. Try to avoid mistakes and when you make one quickly correct it. Do not jump into cut throat competition especially with older successful entrepreneurs or business persons but instead involve in a life time friendship and a possible franchise.

**2.3 Role of Government in Entrepreneurship Development in Nigeria**

The role of government in entrepreneurship development in Nigeria became significant only after the Nigeria civil war (1967-70).

Since the mid1980s there has been increased commitment of government to entrepreneurship development especially after the introduction of the Structural Adjustment. economic Program (SAP) in 1986. Added to this, is the establishment of the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS), Small and Medium Enterprise Development Association of Nigeria (SMEDAN), Small and Medium Enterprises Equity Investment Scheme (SMEEIS) etc.

Fundamentally, Nigerian government promote entrepreneurial culture through initiatives that build business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of R&D. In early 2000s, entrepreneurship studies have been introduced into the Nigerian educational system especially higher institutions as a mandatory course. The Centre for Entrepreneurship Development (CED), which has the objective of teaching and gingering students of higher institutions (especially in science, engineering and technological) to acquire entrepreneurial, innovative, and management skills, was established. This is to make the graduates self-employed, create job opportunities for others and generates wealth. The recent incorporation of entrepreneurship and Small Scale Business Management curriculum in to Nigerian educational system is another effort.

**2.4 Entrepreneur's role in Innovation and Economic Development**

According to Schumpeter (2009) capital and output growth in an economy depends significantly on the entrepreneur. The quality of performance of the entrepreneur determines whether capital would grow rapidly or slowly and whether the growth involves innovation where new products and production techniques are developed. The difference in economic growth rates of countries of the world is largely due to the quality of entrepreneurs in the countries. Production factors of land, labour and capital are said to be dormant or indolent without the entrepreneur who organize them for productive ventures.

The entrepreneur is therefore an important agent of growth of innovations and technical progress. The development and utilization of his technical and commercial skills create growth potentials in Micro, Small and Medium scale enterprises.

In Nigeria entrepreneurship development and innovations have been manifested in all aspects of the economy viz; micro business, micro finance, small, medium industries, cottages, crafts, information/telecom services, personal services in food vending/restaurant, garments making, embroidering, agricultural produce, film production etc.

**2.5 Entrepreneurship Development and Growth of Enterprises and Industrial Organizations in Nigeria**

As earlier mentioned, entrepreneurship development in Nigeria became significant only after the Nigerian civil war. At the end of the war, the 2nd National Development Plan focused on the development of the 3Rs objectives of Reconstruction, Rehabilitation and Reconciliation with the Ibos. The activities in the plan challenged/task the ingenuity and inventive skill of the individuals. Added to this was the promulgation of the Nigerian Enterprise Promotion Decree of 1972 as amended in 1977 as indigenisation decree. This action further act as a catalyst to entrepreneurship business development as businesses hither-to monopolized and reserved for the colonial entrepreneurs by the Royal Niger Charter were returned and reserved solely for the Nigerian entrepreneurs.

This early period of history witnessed economic development ideology of industrialization as the ultimate source of economic growth and industrialization itself is the product of technical progress and investment. Technical progress or capital growth on the other hand is seen to be a function and the result of entrepreneurship effort. In particular evidence from the developed world according to Schumpeter (2009) indicates that economic growth is entirely due to the quality and efficiency of the entrepreneur. Thus after independence in 1960 there was the need by government to promote indigenous entrepreneurs who were hither to displaced and outlawed by the British Royal Niger Company. The Government never loses sight of the tripartite relationship between Entrepreneurship, Industrialization and Economic growth order of influence.

Amendment of the indigenization decree in 1987 and the introduction of privatization and commercialization decrees in 1988, 1989 and 1995 further boost the development of indigenous entrepreneurship.

Individual and group interest/awareness was aroused leading to venturing in mining, banking, knowledge industry, education, publishing, information technology etc. As mentioned earlier there are some governmental policies and activities which spurred entrepreneurship development.

SMEDAN sponsor and supervises entrepreneurship ventures while the Central bank of Nigeria creates financial relief to entrepreneurs through the 10% fund contribution by commercial banks to the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) of 2001.

Entrepreneurship ventures are often carried out via the Micro and Small scale businesses. This notion informs SMEDAN's focus on the development of Micro, Small and Medium scale Enterprises (MSMEs). It has therefore co-ordinated and integrated MSME activities and develops them to their full potential and competitiveness.

Entrepreneurship activities and innovative ingenuity in Nigeria have covered and developed enterprises in the following areas:

a. Agriculture/agro-allied activities: Foodstuff, restaurant, fast food vending etc.
b. Solid mineral: Quarrying, germ stone cutting/polishing and crushing engineering.
c. Power and transport: Power generation, Haulage business (cargo and passengers)
d. Information and telecom business: Manufacturing and repairs of GSM accessories.
e. Hospitality and tourism business: Hotels, accommodation, resort centres, film and home video production.

Since 2000 due to the exponential growth in global information technology a lot of service enterprises have emerged viz GSM accessory manufacturing, GSM recharge-cards/credit sale, cybercafé/internet business, communication and computer systems etc. Information technology and globalization has increased the growth of film industry in Nigeria (Nollywood and Kannywood). Home video and comedian tapes are being produced by entrepreneurs in their various formsAll these have created potency in international trade and finance to create global competitiveness. The world economic forum report of 2006, ranked Nigeria as 88 out of 117 countries in its global competitiveness indicators.

In the mean time entrepreneurship venturing and innovations are focused at sectors and areas of comparative advantage in which the entrepreneur has natural competition such as service to a new customer, production of products/services for low income earners, personal service business etc. The modus operandi becomes the use of micro business outfits to obtain fund for running the following businesses to produce for both the domestic and international market: Computer and cybercafé

- Vegetable production
- Animal fats and oil
- Art and decorative
- Wood and furniture
- Transport/haulage
- Fruit juice and dairy production
- Machine, vehicle spare parts fabrication
- Savings, collection and micro finance business
- Farming and livestock – cassava,

- Bakery and cakes
- Plantain, potatoes chips/flake
- Hair dressing/barbing salon
- Leather, fur and skin
- Soft drinks and sachet water
- Electrical/electronic services
- GSM, recharge card/service

**Conclusion**

Entrepreneurship development and innovations in Nigeria is at the peak of awareness creation and participation by both the people and government. Policies of government have shifted to addressing the problems of infrastructural decay and finance. The problem of power supply is still very much on ground while credit framework via microfinance banks put in place to assist entrepreneurs with soft loans is still in infancy.

Innovation characterized entrepreneurship and brings about technical progress through capital-saving, efficient production techniques and higher level of output or economic growth. The entrepreneur creates and supplies new line of consumption to enhance growth in some emphasized entrepreneurial sectors to stimulate growth in various enterprises and industrial organizations.

However, Nigerian entrepreneurs still face doldrums of problems and challenges in their struggle for innovation and technical progress.

**Recommendations**

From the foregoing, the following were recommended:

- Government should increase her support for entrepreneurial training take-off tools and funds made available to more of the trained graduates of entrepreneurship programmes.
- As a matter of urgency, institutions of higher learning should be mandated to establish centre for entrepreneurship promotion and development.
- Federal and State Governments should establish Ministry of entrepreneurship and SMEs
- Entrepreneurs should explore areas in agriculture and others where increasing returns/comparative advantage is high and not saturated areas of production.
- Promotion of Micro, Small and Medium scale Enterprises should be intensified and entrepreneurship development activities incorporated in Nigeria's industrial blue print by Government.

- Government should guarantee and remove the bottlenecks in accessing loans by entrepreneurs from microfinance banks and grant them reasonable time to run the business before loan repayment starts.
- Easy business registration, tax holiday, basic infrastructures should be provided by the government to encourage the growth/expansion of enterprises and industrial organizations in Nigeria.
- Government should try and create enabling environment for investment and entrepreneurship activities to flourish in our economy for sustainable economic growth and development.

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