

An Analysis of Critical Challenges of Corporate Entrepreneurship for Manager of Manufacturing Companies in Nigeria: A Thematic Approach

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Abstract

This study evaluated the challenges managers face with corporate entrepreneurship (innovation) in Nigeria. Anonline interview was used to collect information from 50 managers all over Nigeria to determine the gravity of the challenges faced by manufacturing companies. The study adopted a qualitative method of research (thematic theory). The research evaluated both the macro and micro level challenges to an accurate outcome. The findings showed that three significant challenges (macro) the managers face are electricity outage, property rights and lack of capital. The electricity shortage has a significant effect on corporate entrepreneurship in manufacturing companies, which is capital intensive. Due to the high cost of corporate entrepreneurship, capital is a vital factor in implementing new concepts; the majority of managers the face substantial difficulty acquiring capital. On the micro level, the mangers the most significant challenge are lack of technical capabilities and facilities to support innovation.

Keywords: Cooperate entrepreneurship, entrepreneurial innovation, electricity outage, manufacturing industry, property rights, loan.

1. Introduction

Nigeria is a goldmine for entrepreneurship and its success can be attributed to its large population and the abundance of resources. For the development and enhancement of a modern, dynamic and knowledge-based economy, entrepreneurial leadership skills are essential on both the individual and corporate level. Corporate entrepreneurship is essential in the advancement and management of innovative ideas, as it increases productivity and creativity (Hoque, A. S. M. M., Gwadabe, U. M., & Rahman, M. A. , 2017).Corporate entrepreneurship has evolved tremendously in the past forty years, allowing companies to adapt new innovations and manage competition in the market (Kuratko, D., Hornsby, J., & Hayton, J. ,2015). In the past few decades, technological changes have proven to either be sustainable or disruptive to companies all over the world; innovation and adaptability are key tools to surviving (any form of) hardship and staying relevant in the current competitive market. Amazon, PayPal, Yahoo and Google are some of the remarkable companies that survived the 2000 recession and 2007 financial crisis. They maintained their relevance through technological innovation and entrepreneurial development. Corporate entrepreneurship encourages employees to design numerous techniques for new business lines, models or design strategies that will contribute to the growth of the company. It is important for companies to maintain competitive advantage or relevance in the market so as to attract investors. Corporations adapt to four models to improve the management and efficiency of their company; these are: the enabler, the producer, opportunist, and advocate models.

In developing countries like Nigeria, corporate entrepreneurship is vital for the survival of companies in harsh business environments. This includes increasing the cost of manufacturing goods, as well asbuying services needed to compensate for the absence of electricity. The absence of electricity compels businesses to use alternative sources of energy (generators, inverters, etc) and subsequently leads to the substantial depreciation in the value of the local currency (Naira). This eventually results to a choice between the importation of raw materials and dependence on incompetent and poor public infrastructure provided by the government. Several government policies and corruption have proven to affect negatively on both businesses and personal finances of Nigerians (Agbiboa, D. E., 2015).

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Managers are required to create techniques to overcome the challenges in order to thrive in today's market. The challenges can affect the entrepreneurial behavior of a company; however, certain innovations can be used to tackle the challenges.

The concept of corporate entrepreneurship is divided into five elements: (1) innovation, (2) risk-taking, (3) proactiveness, (4) strategic renewal and, (5) corporate venturing. This research is constructed to analyze the challenges encountered by business startups in applying corporate entrepreneurship (innovation) from a manager's perspective. Different factors will be explored, but the main objectives are: to determine the major problems managers face in practicing corporate entrepreneurship in Nigeria; to establish the significance of corporate entrepreneurship on the survival/growth of a company by analyzing the financial aspects of the company; to determine the importance of company innovation from a managerial perspective; to highlight the difficulties in applying such innovation to a Nigerian business environment.

2. Literature review

2.1 Concept of Corporate entrepreneurship

Much research has been conducted to study the field of corporate entrepreneurship to determine both the financial and non-financial effects on a company. In the past had mainly focused on the financial performance of the company (Eze, B. U. (2018)). A study was conducted on the effect of corporate entrepreneurship on the non-financial performance of manufacturing firms in Nigeria; they used innovation, proactiveness, risk-taking, strategic renewal and corporate venturing as independent variables, while identifying market share and employees' satisfaction as the dependent variable. The data was collected via questionnaire from management staff in a given company and the result proved that corporate entrepreneurship had a direct effect on market share and employee performance. It showed that the two variables are vital to the managers of the company, employee performance boosts productivity and that market shares determine the overall value of the company.

Oladimeji, M. S., Abosede, A. J., & Eze, B. U. (2019) stated that the majority of the research conducted on non-financial performance was conducted on the manufacturing industry. Because of this, he decided to change the focus of his research to the service industry and add two more dependent variables – productivity and workforce development. The methodology and data analysis techniques used were similar but yielded different results. The result of the study showed that innovation, proactiveness, risk-taking and corporate venturing had a significant effect on the company's non-financial performance; corporate venturing showed the most significant effect, while strategy renewal showed no significant effect. This shows that corporate entrepreneurship can affect companies differently depending on the industry in which it is operating. He also added that management changes might not affect the company immediately but can benefit it in the long run.

2.2 Impact Innovation

Yunis, M., Tarhini, A., & Kassar, A. (2018) determined that information communication based technology (ICT) and innovation as factor of corporate entrepreneurship a significant effect on organizational performance. In Nigeria, technological innovation has proven to improve product or process of production in the manufacturing industry. Innovation is essential to driver of economic growth due benefit to both private and public sector. In the private sector, innovation can increase employment and reduce import which will benefit the economy. New technologies are flooding the market and will be either disruptive or sustainable to a company; Innovation is necessary for companies to survives in the competitive market. (Akinwale, Y. O., Adepoju, A. O., & Olomu, M. O. (2017)).

2.3 Challenges for managers in the Nigeria

The education of managers at every level – administrative, intermediate and operative – of entrepreneurship is critical to the success of the company. Managers are likely to engage in entrepreneurship when there is effective communication between workers; the transition from the traditional to new pattern of operation or production will require cooperation from everyone, from manager to workers (Kuratko, D. F., & Morris, M. H. (2018)). Corporate entrepreneurship is a procedure that requires funding since companies are required to maintain a certain level of yield and invest in other initiatives. Managers already have certain obstacles and risks they have to overcome in their businesses (such as theft, fire and property damage), as stated in Adeyele, J. S., Osemene, O. F., & Olubodun, I. E. (2017).

Over the past decade, Nigerian companies have invested vastly on innovations all over the country – most especially technological innovations. Financial technology has impacted Small and Medium Enterprises (SMEs) massively, allowing businesses to make online transactions with suppliers and customer in a safer and more convenient way (Abiola). Online banking has allowed other initiatives (such as online shopping and food delivery services) to develop and improve their innovations; because of this, online vendors and food delivery services are still functioning during the COVID-19 lockdown.

According to the Nigerian Interbank Settlement Scheme, 41.7 million (21 percent of the total population) Nigerians have a Bank Verification Number (BVN). In developing countries, managers take the risk in developing new innovative ideas, which is one of the prospective of corporate entrepreneurship; registered BVN at 21 percent is relatively small but innovation will cause a ripple effect, encouraging more individuals to register. The introduction of e-banking has created a highly competitive system between banks, which forces them to invest to stay relevant. E-banking has provided a secure method of transaction for businesses to use as a solution for insecurity (robbery) and a way of recording all financial transactions. The system has been encouraging more people to open bank accounts for their businesses which benefits both banks and businesses (Oladimeji, M. S., Abosede, A. J., &Eze, B. U. (2018).

3. Methodology

This section of the paper shows the methodology used to carry out research and the type of data used in this study. A questionnaire was designed adopting the thematic theory of qualitative research to gather data from business managers situated in different states of Nigeria. The research is which asks them to answer the research question: “What are the main challenges (manager encounters in corporate entrepreneurship measured in innovation)?

The survey was posted online for managers from all over Nigeria to contribute to the research; research received a total of 50 respondents form the questionnaire online. The research adopted random sampling techniques because the data collection method is limited as a result of the current COVID-19 lockdown. The research is going to adapt the thematic theory of qualitative research. One of the main advantages of qualitative research is that it provides a wide-ranging analysis and comprehension of the subject without limiting the range of the research and the essence of the subjects’ responses.

The questionnaire is designed to determine the size, sector and sources of capital of the companies from the managers. Certain sectors might not be affected by certain challenges due to the use of more labor or capital intensive method of work; therefore, the research classifies the results into subdivisions. The aim is to determine if the challenges vary based on size, sector of the economy or financial backing. The result will be analyzed using graphs and charts to demonstrate the findings in numbers (percentage) followed by the thematic theory of qualitative analysis.

Every research has certain limitations. Here are the limitations of this research:

1. Some of the challenges that managers face in corporate entrepreneurship may not reflect in the research;
2. Some subjects lacked adequate knowledge of their industry and the concept of corporate entrepreneurship; therefore, their responses are incomplete;
3. Online questionnaires could be completed out by anyone – not necessarily by a member of the target group; consequently, the subjects’ response might not be reliable and accurate for the research;
4. Nigeria is a country with 36 states and approximately 200 million people. A huge portion of the managers might not be reached through an online survey; this limits the accuracy of the sample size.

4. Data analysis and findings

The research received a total of 53 responses from managers all over Nigeria. The survey had open-ended question that allowed the respondents to give in-depth information for the research The first question asked the respondents if they were managers in a company. Three respondents had to be excluded due to stating they were not managers; this excluded them from the target group and by default, nullifying their responses. This question asked managers the general challenges encounter when apply implementing innovation and based on the responses the following themes emerged;

- I. We encounter a lot of difficulty with capital and investment.
- II. Other challenges include electricity outage and infrastructure
- III. High cost of researching and application of innovation.
- IV. Innovation carries high risk due to customers snubbing certain commodities.
- V. Deficiency of existing technology to support the design

The following are selected comments and cross tabulated responses from subjects on the question;

“There are places in the country where technological advancements are not yet feasible. unavailability of adequate resources for implementation “

“It is extremely difficult to get investors to invest in innovation in Nigeria or even banks to give out loans for innovation. I have had so many ideas but couldn't find the required funding”

“Cost of testing new innovations/products are usually high. This serves as a deterrent for most SME's “

“When I am installing a new machine or technology I need to figure how much electricity it will require to make sure my generators can handle it. I even considered solar power but the cost of panels that will take my machines is too high”

The second question asked the subjects(managers) the challenges they encounter that are related to the government policies or laws around innovation and the following theme emerged;

- I. Government policies and laws affect the introduction of invention
- II. Nigeria lacks legal system that enforces laws protecting new innovation (patent, trademark, copy rights)
- III. They stated the government fails in providing of subsidy, low interest loans and tax benefit to encourage innovation.

The following are selected comments and cross tabulated responses from subjects on the question;

For it to work, there needs to be backed by the power of the Government, that means political will in government. When business owners don't get a sense that the reception and support being provided is of absolute deal breaker for us, we disregard it and it then becomes very difficult to implement. Will doesn't just mean intent, it means the action of the leaders should demonstrate how important the endeavor is, it's not enough for them to just say it.”

“If the government at least support us with the basic elements like security, stable electricity and infrastructure I will be more encouraged to invest in more innovation most especially product innovation. The fact that I have provided my company with certain responsibilities that should be on the government is impendent”

“If you check the Nigerian market counterfeits are abundant. I can invest millions on research to create a new innovation and someone will just forge it to sell at a cheaper rate. My prices will be higher because I have to factor in the cost of research”

This question asked managers the internal challenges encounter when apply implementing innovation and based on the responses the following themes emerged;

- I. Lack of experts and companies that will help in creation of innovation
- II. Experts are required to come from abroad to manage or help with devices or machines
- III. Shortage of research institutions to collaborate with to manufacturing of innovation

The following are selected comments and cross tabulated responses from subjects on the question;

“I have interior design shop and most of my goods are imported. I have a company in china that I send designs of any products and they will make it for me in a very cheap price. The companies in Nigeria that can make it but will be more expensive and lower quality”

“Barrier to entry stemming mostly from lack of knowledge, experience and nuance. It very hard to find skilled workers and companies to work with”

“I have encouraged my workers to create new innovative ideas that will help with either method production or product but finding ways to apply the ideas is challenging. Finding creators and investors are difficult”

Figure 1. Application Techniques

As a manager, which cooperate entrepreneur technique will be most suitable for a business in Nigeria?

50 responses



The findings from the subject observations and field reports showed that

- I. In the manufacturing, companies require backup generators to power the machines; the cost of purchasing and maintaining them are high. Adding new innovation will increase the cost which will also increase the price of new innovation most especially for process innovation.
- II. New innovations that are capital intensive are more challenging to managers due to the requirement of technical procedure. Innovations that are labor intensive are easier to apply due to the low cost of labor.
- III. The government has created techniques to create more capital from entrepreneurs; minimum loan limits for banks, trader moni and bank of industry loans.
- IV. Recently, a new wave of innovation has entered in the Nigerian manufacturing industry mainly from major companies forcing managers of SMEs to engage in order to survive in the market.
- V. Managers encounter substantial amount of challenges like infrastructure, security, economic instability depending on the industry which requires more capital to cover them. The challenges also factor in more risk to the success of the business.

5. Discussion of Findings

During the interviews, 88 percent of the managers stated they face difficulty in financing cooperate entrepreneurial activities (innovation). The Nigerian government has been created methods of generating more loans for SMEs. According to the Central Bank of Nigeria (CBN), SMEs represent 96 percent of the businesses in Nigeria and 90 percent of the manufacturing industry; however, they only contribute to one percent of the GDP compared to 40 percent in Asian countries. One of the systems created by the government is *Tradermoni*, where SMEs are given a loan of 10,000 to 100,000 naira; traders who pay the money back within 3 months are eligible to take a second loan of 15,000. Banks regularly have high-interest rates and require collateral requirements but most SMEs struggle to meet those requests, preventing them from acquiring the capital they need to grow and make profit. According to Wallace, P., & Onu, E. (2019), the Central Bank has created a new policy that requires banks to loan out 60 percent of all deposit as one of the techniques adopted by the government during the recovery from the 2016 recession.

According to the managers, process innovation in the manufacturing industry is mainly adopted to increase quantity or quality of goods. Due to the high population in Nigeria, unskilled labor is cheap and abundant in the market while skilled labor is more limited. Innovation requires a lot of skilled labor in the creation which respondents have expressed difficulty in finding nonetheless the companies require a lot of unskilled labor that is cheap. The managers indicated that they prefer more labor intensive innovation than capital intensive due to the cost.

In order to encourage more cooperate entrepreneurial activities to enhance innovation the majority of the managers choose the enabler and producer to be most efficient in Nigeria. The two techniques involve training and funding for internal employees to be skilled in order to build a system that will be proficient for innovation. The system can help with the internal problems encountered rather than outsourcing contracts to external companies for innovation. The system is highly efficient most especially for big companies.

6. Conclusion

This study evaluates the challenges managers face with corporate entrepreneurship (innovation) in Nigerian manufacturing industry. Innovation is crucial to the survival of in the market to maintain competitive advantage. The findings on a macro level from the study showed that lack of electricity has a significant effect on new innovation. Lack of electricity limits the level of productivity and success of a corporate entrepreneurial pursuit. Due to the high cost of innovation, capital is a vital factor in the implementation of new concepts and the difficulty of generating money; loans, especially, are a major challenge. In order to overcome the existing challenges – like electricity outage and infrastructure – companies require additional funds to create alternative sources. Property right and lack of technical capabilities and facilities to support innovation. Property right has an effect on innovation; companies lose incentive to invest in innovation due to laws that protect invention (Ezzeddine, S., & Hammami, M. 2018).

7. Recommendation

- I. It is recommended that managers apply a lot of research into the cooperate entrepreneurial activities they are planning to determine the kind of challenges they might follow or even innovations that can help overcome them.
- II. Companies should invest in training of employees to be skilled to create innovation. Innovation requires skilled workers in the process therefore availability of internal worker will reduce cost of outsourcing.
- III. Government should create system loans and polices to encourage innovation. The system will boost innovations which will simultaneously the economy and employment. Subsidized loans encourage more manufacturing firms to engage in innovation. Policies enforcing property rights serve as the link between investors and innovators to guaranteeing ownership of idea.

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