CONTRIBUTIONS AND CHALLENGES OF ENTREPRENEURSHIP IN NIGERIA: A SOCIOLOGICAL ANALYSIS

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ABSTRACT: Entrepreneurship is an area that has attracted the interest of various researchers, academics, government as well as private individuals. To this end, researchers in this field have adopted multidisciplinary approach in the study of entrepreneurship. One of the disciplines that has shown a heightened interest in the study of entrepreneurship is sociology. Thus, this work adopts a sociological approach in investigating the contributions and challenges of entrepreneurship to the socio-economic development of Nigeria.

KEYWORDS: Entrepreneurship, Sociology, Social entrepreneurship, Socio-economic environment, Development

INTRODUCTION

In recent time, the subject matter of entrepreneurship has generated (and is still generating) increased interest in Nigeria. This increased interest is partly due to the belief that entrepreneurship will help in combating unemployment, poverty and under-development and partly due to the belief that entrepreneurship will engender economic development (Clausen, 2006; Praag & Versloot, 2007). This perception has gained momentum to the extent that researchers and academics from various fields and policy makers are devoting attention to understand the driving forces or determining factors behind entrepreneurship. The quest for these driving forces or determining factors cuts across political considerations, economic realities, psychological factors (personality traits), environmental and socio-cultural factors. Thus, no one field or idea holds absolute answer or explanation to the question of entrepreneurial development, rather available information presents a fragmented view of the subject matter.

However, one of the fields of study (just like other fields) which has become interested in the subject matter of entrepreneurship in recent times is Sociology. This interest has even led to a coinage of what is known today as Sociology of Entrepreneurship. As an emerging area, sociology of entrepreneurship main subject matter concerns the relationships between group characteristics and the development of business activity. One of the basic aspects of these is the interaction between the economic and social environments of the entrepreneur. Put differently, factors within the social environment determine the focus and locus of business interest or venture pursuit. Group characteristics such as ethnicity, race, teams, social networks, cultures among others are issues that sociologists are interested in the explanation of the phenomenon of entrepreneurship.
Beyond personality traits such as stronger risk taking attitude, personal performance, inner control, target orientation etc. which some authors believed are some of the attributes of potential entrepreneurs, environmental and cultural influence also provides explanation to entrepreneurial inclination. Here lies the interest of the sociologist. Thus, this works seeks to understand the contributions of sociological analysis to entrepreneurial inclination while looking at possible contributions and challenges of entrepreneurship towards socio-economic development of Nigeria.

**Theoretical Framework**

Sociological perspective to the study of entrepreneurship goes beyond the innate characteristics (otherwise known as behavioural traits) to look at the environment as a motivating factor to entrepreneurship. Sociologists argued that a person’s environment is the major motivating factor for entrepreneurship, and that ideas, traits and motives are not enough on their own for entrepreneurship to manifest (Emmanuel, 2008). The importance of environment lies on the fact that the entrepreneur searches out potential viable ventures and coordinates producers and consumers towards profit. This role of searching out viable ventures underscores the influence of environmental factors to motivation for entrepreneurship. Virtanen (2004) observed that this links different approaches to different environments that provide profit potential for different ventures. Thus, the entrepreneur’s role as the highly visible hand depends on the environmental (social) context. Reynolds (1991) earlier on stated that inability of trait theories to predict entrepreneurship could result from the ignorance of social context and choices confronting the individual when the decision is being made.

Thornton (1999) makes a distinction between the role of individuals with identifiable entrepreneurial traits and characteristics, classified as supply-side perspective and the role of culture and environment (demand perspective) in the development of entrepreneurship. Thornton (1999) demand perspective advances the idea that individuals and organizations affect and are affected by their social context. Weber (1904) cited in Thornton (1999) illustrated how religious doctrine provided the cultural legitimization needed to shape the economic behaviour of individuals in ways that, in the aggregate, led to the rise of capitalism.

Thornton (1999) points out that “in contrast to the supply-side emphasis on stasis and individuals, the demand-side perspective advances the study of entrepreneurship by asking what entrepreneurs actually do – the decision they make within social settings that are changing over time.”

Analyzing the import of the demand-perspective, it is obvious that environmental context such as infrastructure, availability of venture opportunities, access to credit, security etc. affect the development and success of entrepreneurship. Beyond possessing pro-entrepreneurial behavioural traits, supportive social context and enabling environment determine the extent to which entrepreneurial ideas can be transformed to practical realities. Being that the social contexts in terms of policies, legal regulations, political arrangements and cultural systems are subject to changes, the entrepreneurial decisions are subjected to the whim and caprices of these social contexts. Thus, Johnson (1990) cited in Emmanuel (2008), in his view on the sociological perspective to the study of entrepreneurship, suggests “that a detailed description of the environmental context is required before the drive for achievement can be a motivating factor for entrepreneurship.”
According to Virtanen (2004), the main focus of sociological enterprise is to identify this social context. Thus, Reynold (1991) differentiates four social contexts in relation to entrepreneurial opportunity: social networks, life course stage, ethnic identification and population ecology stage. According to the social network theory, individuals who possess a socially heterogeneous network of relationships and who, within this network either have a bridge or a broker role, will become successful entrepreneurs (Zsombor, 2008). The life course context involves analyzing the life situation and characteristics of individuals who have decided to become entrepreneurs (Reynolds, 1991). Ethnic identification try to explain entrepreneurship as a process where the individual’s sociological background is one of the decisive “push” factors to become an entrepreneur (Virtanen, 2004). Population ecology examines the survival of organizations in relation to environmental factors (Amit, Glosten & Muller, 1993). However, population ecology looks at the organizations as the unit of analysis rather than the entrepreneur. This exclusion of the entrepreneur and management team which venture capitalist considered as the most important determinants of success prompted Amit, Glosten & Muller (1993) to ask: “to what extent is success determined by the environment rather than the skill and ingenuity and decision of the entrepreneur?” Thus, Virtanen (2004) suggested that ecological model could be developed more in the direction of entrepreneurial ecology by making the entrepreneur rather than the organization as the unit of analysis.

**Defining Sociology and Entrepreneurship**

Sociology is one of a number of social sciences which attempts to explain and understand the behaviour of human beings in society (Haralambus & Holborn, 2008). It is a discipline that studies human society scientifically. In its effort to explain and understand behaviour in the society, sociology looks at different aspects of social life, one of which includes social determinants of entrepreneurship. Although there is a high degree of consensus in relation to the interest of sociology, however, different sociologists adopt different views in defining the discipline. Auguste Comte, the founding father of sociology, defines sociology as the science of social phenomena "subject to natural and invariable laws, the discovery of which is the object of investigation". Kingsley Davis says that "Sociology is a general science of society". Emile Durkheim: "Science of social institutions". Max Weber defines sociology as “the science which attempts the interpretative understanding of social action in order to arrive at a casual explanation of its course and effects". All these are necessary because there is no one way of analyzing human society since predictions in the social sciences are not static like in the physical sciences, but is rather fluid and subject to constant changes. However, to explain and understand human society and the nature of interactions and relationships within the society, sociologist adopts scientific method of enquiry to arrive at knowledge about the society.

But the concept of entrepreneurship is nebulous and many academic disciplines have contributed their perspectives on the concept of entrepreneurship (Oteh, 2009). Existing definitions of entrepreneurship in the literature come from different discipline including economics, sociology, psychology and management. Thus, entrepreneurship can best be described as a multidimensional concept (Bula, 2012). One of the classical definitions of entrepreneurship is the one offered by Schumpeter (1934), a development economist, who sees entrepreneurship from the point of view of value creation and defines an entrepreneur as a risk-taking innovator needed for rapid economic development, through the process of “creative destruction”, by which obsolete technologies and ideas are replaced by new ones. Although this definition comes from the field of economics, but the basic ingredient is ‘value
creation’ which has the capability of introducing change in the form of economic development. Closely related to the definition of Schumpeter is the view of Ronstadt (1984) who defines entrepreneurship “as the dynamic process of creating incremental wealth. The wealth is created by individuals who assumed the major risks in terms of equity, time and/or career commitment or provided value for some product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources.”

From the management perspective entrepreneurship would entail the introduction of a change, an innovation, or a new order (Oteh, 2009). Thus, Drucker (1985) contends that the entrepreneur is not necessarily an agent of change, but one that searches for change, responds to it and exploits it as an opportunity. Thornton (1999) defined entrepreneurship within the context of the work of (Gartner 1988; Reynolds, 1991; Low & Abrahamson, 1997) as the creation of new organizations which occurs as a context-dependent, social and economic process. To a psychologist, an entrepreneur would be analyzed as a person typically driven by the need to obtain or attain a specific goal, to experiment, to accomplish, or perhaps to escape the authority of others (Oteh, 2009). Coming from this psychological orientation, McLelland and Winter (1971) focused attention on personal traits, motives and incentives of an individual and conclude that entrepreneurs have a strong need for achievement.

However, a common denominator in a good number of studies is the important role of three key factors namely, risk-taking, innovation and identification and use of opportunities, with varying degrees of emphasis (Rusu, Isac, Cureteanu & Scorba, 2012). Therefore, I will adopt the view of Virtanen (2004) as a working definition, which suggests the following multidimensional definition of entrepreneurship with specific emphasis on the entrepreneur as the main actor in the process: “Entrepreneurship is a dynamic process created and managed by an individual (the entrepreneur), which strives to exploit economic innovation to create new value in the market.” This definition captures different features of entrepreneurship in an integrating manner. Entrepreneurship therefore is dynamic; involves a process, motivation or the need to achieve; affects and is also affected by the environment; and its end product is value-creation (which could come in form of fulfilment of goals and objectives of a particular entrepreneur or high return on investment to investors for a high growth ventures).

The Concept of Social Entrepreneurship

Equally important, particularly in the context of Nigeria is the emergence in literature of the concept of social entrepreneurship (Oteh, 2009). The concept of social entrepreneurship has been defined in various ways by different authors and researchers. Some have defined it as applying commercial practices to social problems. In this case, social entrepreneurs use business skills and knowledge to create enterprises that accomplish social purposes, in addition to being commercially viable (Emerson & Fay, 1996). The kind of enterprise created by the social entrepreneur is social enterprise. Social enterprises according to Haugh and Tracy (2004) “are businesses that trade for a social purpose. They combine innovation, entrepreneurship and social purpose and seek to be financially sustainable by generating revenue from trading. Their social mission prioritizes social benefit above financial profit, and if and when a surplus is made, this is used to further the social aims of the beneficiary group or community, and not distributed to those with a controlling interest in the enterprise.”
Social entrepreneurship is also defined as a mechanism for fostering innovation within the context of the myriad of social problems that we face and focus more attention on the innovative arrangements that resolve social problems, rather than economic viability (Dees, 1998). This view is akin to the idea behind corporate social responsibilities of entrepreneurs. Entrepreneurs are expected to be socially responsible by giving back to the society they benefit from by way of innovating ways of addressing social problems. One group of researchers refers to social entrepreneurship as not-for-profit initiatives in search of alternative funding strategies, or management schemes to create social value (Austin, Stevenson & Wei-Skiller, 2003). Another group of researchers understands it as the socially responsible practice of commercial businesses engaged in cross-sector partnership (Sagawa & Segal, 2000). And a third group views social entrepreneurship as a means to alleviate social problems and catalyze social transformation (Ashoka Innovators, 2000).

Summarizing the views of Say, Schumpeter, Drucker and Stevenson, Dees (1998) notes that social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value)
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

The challenges of Entrepreneurship in Nigeria

Sociological analysis has identified environmental factors as contributing to entrepreneurial development. Notwithstanding how plausible factors like personal traits, motives and incentives of an individual may sound, environmental factors also pose challenges to entrepreneurship. Especially, in the case of Nigeria, major constraints to the development of entrepreneurship relate to environmental, socio-economic, political and cultural factors that affect both entrepreneurial firms and non-entrepreneurial small businesses (Eneh, 2010; Abimbola & Agboola, 2011). Agbola and Ukaegbu (2006) cited in Idam (2014) emphasize the devastating effect of poor infrastructural facilities, including epileptic power supply, poor condition of road network and inadequate water supply on emerging businesses. Idam (2014) added that a related environmental factor is the incessant cases of kidnapping and insurgence of ‘Boko Haram Sect’, which create unhealthy and insecure environment for business operation.

According to Idam (2014), the high cost of doing business in Nigeria imposes economic dimension of challenges encountered by nascent enterprises. “The weight of high incorporation costs, legal and professional fees, business permits and licenses add up to other start-up costs to create heavy burden on small businesses faced with limited access to credit facilities and high interest rates. The incidence of multiple taxation and levies in different forms at federal, state and local government levels constitute mitigating forces for emerging small businesses, whether entrepreneurial or not” (Idam, 2014). Added to this, is the ‘son-of-the-soil’ syndrome – a situation where start-up businesses are mandated to pay certain
amount of money to host community or youth of the community for operating in that community. At times it comes in form of periodic levies by the community on the businesses, thus adding up to high cost of doing business in Nigeria.

According to The Doing Business Index report of World Bank (2009), Nigeria in the aggregate ranked 125 out of the 183 economics assessed. Nigeria’s rank for each of the ten sub-indices is as follows: Ease of Doing Business 125, Starting a Business 108, Dealing with Construction Permits 162, Employing Workers 37, Registering Property 178, Getting Credit 87, Protecting Investors 57, Paying Taxes 132, Trading Across Borders 146, Enforcing Contracts 94 and Closing Business 94. The overall assessment of this index shows that Nigeria still lags behind so many economics in the ease of doing business. In the same vain Okeke and Eme (2014) reporting World Bank (2008) write that in a 2008 report commissioned by the World Bank to assess the challenges confronting businesses in Nigeria a wide array of issues were identified as constraints to doing business. These include poor electricity supply, inadequate access to finance, poor transportation, unfriendly tax regime, poor access to land, high cost of finance, crime rate, corruption, political environment, customs and trade regulations, inadequately trained workforce and labour regulations.

The foregoing empirical evidence suggests that environmental, economic and political issues constitute major challenges to entrepreneurship in Nigeria. Even though many individuals in Nigeria are driven by the need to achieve, but this drive has either been frustrated or limited by the prevailing environmental conditions which are anti-entrepreneurial development.

Contributions of Entrepreneurship to Socio-Economic Development of Nigeria

Entrepreneurial activities have been found to be capable of making impacts on the economy of a nation and the quality of life of the people (Weber, 1904, Morris & Lewis, 1991; Adejumo, 2001). Studies have established its positive relationship with stimulation of economic growth; employment generation; and empowerment of the disadvantaged segment of the population, which include women and the poor (Thomas and Mueller, 2000). For many developing countries, entrepreneurship has been a powerful engine of economic growth and wealth creation, and is crucial for improving the quality, number and variety of employment opportunities for the poor (Oteh, 2009).

Existing evidence in literature has also shown a correlation between economic growth and the level of entrepreneurial activity. A study by Global Entrepreneurship Monitor (2008) showed that economic growth of a country is directly correlated to its level of entrepreneurial activity. The benefits of entrepreneurship in a developing country like Nigeria cannot be over-emphasized. “Entrepreneurship has many multiplier effects on the economy, spurs innovation, and fosters investment in people, which is a better source of competitive advantage than other natural resources, which can be depleted. Entrepreneurs create new enterprises, new commercial activities, and new economic sectors. They generate jobs for others; they produce goods and services for society; they introduce new technologies and improve or lower cost outputs; and they earn foreign exchange through export expansion or the substitution of imports” (Oteh, 2009).

Specifically, one of the areas that entrepreneurship has contributed to the socio-economic development of Nigeria is in employment creation. Although the rate of unemployment is still high, suffice to say that entrepreneurship has help in providing a safety net for some group of people, especially in the hidden economy or informal sector. Many young people
who could not find a job in the formal sector have found succour in the informal sector where they either work for medium or small size business owners or establish their own small businesses that provide one kind of service or the other to the firms or organizations in the formal sector.

Even though the socio-economic impact of entrepreneurship on the sustainable economic growth of the Nigerian economy is difficult to accurately measure or estimate, but it is believed to be highly dynamic and significant (Chu, Kara, Benzing, 2010). However, a study estimated that between 45 and 60 percent of the urban labour force work for small private enterprises or what is otherwise called small businesses (Chu, Kara, Benzing, 2010 citing Nwaka, 2005). Another study suggests that entrepreneurship has been beneficial because the Nigerian private sector comprising small and medium enterprises provides diverse employment opportunities for 50 percent of country’s population and 50 percent of its industrial output (Ariyo, 2005). Overall, the activities of small and medium size enterprises have contributed substantially to the Gross Domestic Product (GDP) of Nigeria.

In addition, entrepreneurship has contributed to the mobilization of domestic savings and utilization of local resources (Fabunmi, 2004). Small and medium size enterprises serve as good agent for disposal of industrial products and some services and have contributed immensely to the production of raw materials in the form of semi-processed goods for use by bigger industries. It is a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers (Owualah, 1999). It has also provides productive self-employment to a number of educated and less educated young men and women coming out of schools, colleges, polytechnic, and universities (Onwumere, 2003).

CONCLUSION

From the foregoing analysis, it is quite obvious that entrepreneurship is the engine of socio-economic development both in the advanced economies and also in the developing economies. However, the understanding of the development of entrepreneurship in the developing countries and Nigeria in particular is no longer restricted to a single dimensional approach, rather a multi-level analytical approach is now been adopted. To a large extent environmental factors have been the major constraints to entrepreneurial development in Nigeria and these have been the concern of sociologists. Thus, sociological analyses have contributed to unravelling these environmental issues and the extent to which they can make or mar entrepreneurial efforts. Especially, the structural functionalist perspective emphasizes order in the social system and maintained that if order exists within the context of the environment it will encourage entrepreneurship. Given also that researchers have established that there exists relationship between entrepreneurial activity and the environment in which it occurs (Abimbola & Agboola, 2011), it is therefore strongly recommended that policies that would address all the environmental deficits militating against entrepreneurial development should be formulated and implemented by the government. This is very imperative since environmental factors may frustrate some of the government programmes aimed at encouraging entrepreneurial development in Nigeria.
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