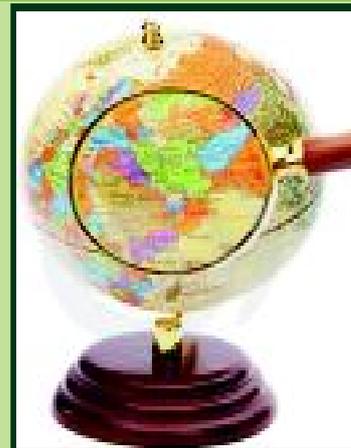


A REVIEW OF MICHAEL E. PORTER'S PRESENTATION — CREATING A COMPETITIVE NIGERIA: TOWARDS A SHARED ECONOMIC VISION

UCHE M. OZUGHALU*



Michael E. Porter's presentation entitled "Creating a Competitive Nigeria: Towards a Shared Economic Vision" highlights Nigeria's situation with respect to global competitiveness, and suggests ways to make the country to become highly competitive and socio-economically prosperous. It is instructive to state here that competitiveness is intricately linked with socio-economic growth and poverty eradication. High degree of competitiveness paves the way for rapid and sustainable socio-economic growth and development. Conversely, low degree of competitiveness impacts negatively on socio-economic growth, and ultimately breeds and perpetuates poverty and underdevelopment. With the rising and unprecedented wave of globalisation, it has become very clear that adequate degree of competitiveness holds a major key for the attainment of maximum socio-economic prosperity in any nation. Globalisation has tremendously increased competitive pressure on countries of the world; together with rapid technological change and progress, it has greatly altered the environments in which nations operate. While globalisation offers unprecedented opportunities for nations that are highly competitive and act successfully, it heightens costs for countries that have low degrees of competitiveness and lag behind — countries that lag behind are usually marginalised in the scheme of things under globalisation. Countries that have low degrees of competitiveness are often characterised by pervasive poverty, misery and human degradation. Indeed, poverty is a major manifestation of low degree of competitiveness.

A nation that is sufficiently competitive will, all other things being equal, achieve sustained high socio-economic growth rate that will be adequate in obliterating absolute poverty and underdevelopment. The developing nations have in general been wallowing in absolute poverty due to low levels of competitiveness. It is regrettable to state at this point that Sub-Saharan Africa has over the years been worst hit by the menace of absolute poverty (see Table 1); this is traceable to the low levels of competitiveness that characterise the countries of the region. Indeed, the Global Competitiveness Report (2007/2008) of the World Economic Forum shows that countries of Sub-Saharan Africa have in general, performed very poorly with regard to global competitiveness.



Michael E. Porter

Nigeria, as a country in Sub-Saharan Africa, is evidently lagging behind with respect to global competitiveness; this has impacted adversely on the socio-economic growth and development of the country. Michael E. Porter's presentation, amongst other things, recommends a highly sophisticated and robust competitiveness agenda for Nigeria, which is expected to make the country become highly competitive within the context of globalization. Indeed, the agenda is expected to launch the country

Table 1: Proportion of People Living in Extreme Poverty [i.e. on less than \$1 a day in purchasing power parity terms] (in %)

| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 1998-2005 |
|------------------------------|------|------|------|------|------|------|------|------|-----------|
| East Asia and Pacific | 57.7 | 38.0 | 28.0 | 29.6 | 24.9 | 16.6 | 15.7 | 11.6 | 9.1 |
| Europe and Central Asia | 0.7 | 0.5 | 0.4 | 0.5 | 3.7 | 4.3 | 6.3 | 2.1 | 0.9 |
| Latin America and Caribbean | 9.7 | 11.8 | 10.9 | 11.3 | 11.3 | 10.7 | 10.5 | 8.9 | 8.6 |
| Middle East and North Africa | 5.1 | 3.8 | 3.2 | 2.3 | 1.6 | 2.0 | 2.6 | 1.6 | 1.5 |
| South Asia | 51.1 | 46.8 | 45.0 | 41.3 | 40.1 | 36.6 | 32.2 | 31.2 | 31.7 |
| Sub-Saharan Africa | 41.6 | 46.3 | 46.8 | 44.6 | 44.0 | 45.6 | 45.7 | 41.1 | 41.1 |

on the path of optimum socio-economic growth and development, and hence make the nation achieve tremendous socio-economic prosperity and eradicate absolute poverty and underdevelopment within a short time.

The Concept of Competitiveness

There are multifarious conceptualisations of the term “competitiveness”. Competitiveness reflects a position of one economic entity (household, enterprise, industry, country) in relation to other economic entities, by comparing the qualities or results of activities reflecting superiority or inferiority. The United Kingdom Department of Trade and Industry defines competitiveness as “the ability to produce the right goods and services of the right quality, at the right price, at the right time. It means meeting customer needs more efficiently and more effectively than other firms”. The foregoing definition relates to competitiveness

of firms. The expressions “right goods and services”, “right quality”, “right price” and “right time” are subject to the judgment of consumers. A firm that is able to sustain its earnings and increase its market share is considered to be competitive.

Macroeconomists, many other social scientists and analysts of globalisation are usually interested in competitiveness of nations. The Organization of Economic Co-operation and Development(OECD) provides a working definition of national competitiveness as follows: “Competitiveness of a nation is the degree to which it can, under free and fair market conditions, produce goods and services, which meet the test of international markets, while simultaneously maintaining and expanding the real income of its people over the long term”. This implies that a nation that does not produce enough goods and services that adequately meets the demands/requirements of international

markets cannot be said to be competitive. It also implies that when a nation is plagued by absolute poverty occasioned by low real incomes of majority of its population, such a nation should not be considered to be competitive. Indeed, it is popularly held among experts in development studies that national competitiveness reflects the ability of a country to secure high standard of living for its citizens, relative to the citizens of other countries, now and in the future. As a matter of fact, in conceptualising the competitiveness of a nation, experts in development studies usually emphasise the growth of the living standard of the population, together with relatively equal distribution of wealth, providing jobs to every one who is willing and able to work at the prevailing wage rate; and doing all these without harming the living standard of the next generation.

The World Economic Forum has developed what is known as “Global Competitiveness Index” (GCI), in order to assess the national competitiveness of countries. In this connection, national competitiveness is conceptualised as the set of institutions, policies, and factors that drive productivity and therefore set the sustainable current and medium-term levels of economic prosperity. Here, competitiveness is not viewed as a zero-sum game — competition among companies vying for larger portions of a given market share — rather, by placing the focus on the drivers and the facilitators of productivity. Improvements in one country’s competitiveness do not exclude similar improvements in other countries. The Global Competitiveness Index, though

simple in structure, provides a holistic overview of factors that are critical to driving productivity and competitiveness; these factors are grouped into twelve pillars namely: institutions (public and private); infrastructure; macroeconomic stability; health and primary education; higher education and training; goods market efficiency; labour market efficiency; financial market sophistication; technological readiness; market size; business sophistication; and innovation. Each of these pillars plays a critical role in driving national competitiveness. It is instructive to state here that currently, the Global Competitiveness Index is the most comprehensive index of national competitiveness, measuring both the microeconomic and macroeconomic drivers of competitiveness across a large number of countries. The pillars of the Global Competitiveness Index are measured using both "hard" data (such as inflation, internet penetration, life expectancy and school enrolment ratios) from public sources and data from the World Economic Forum's Executive Opinion Survey, conducted annually among top executives in all the countries assessed. The survey provides crucial data on a number of qualitative issues (for instance, corruption, confidence in the public sector and quality of schools) for which no "hard" data exist.

Michael E. Porter's presentation shows clearly that competitiveness of a nation depends on the productivity with which the nation uses its human, capital and natural resources. Nations compete to offer the most productive environment for businesses. The public and private

sectors play different but interrelated roles in creating a productive economy. Labor productivity is the aspect of productivity that is apparently most highly correlated with competitiveness. Countries with low labour productivity in general, also have low degree of competitiveness. Porter's presentation indicates that many countries in Sub-Saharan Africa, including Nigeria, have very low labour productivity.

Determinants of Competitiveness and Sources of Prosperity

The determinants of competitiveness, according to Michael E. Porter, can be grouped into three, namely: microeconomic competitiveness, macroeconomic competitiveness and natural endowments. Microeconomic competitiveness relates, among other things, to quality of the national business environment, state of cluster development and sophistication of company operations and strategy. Macroeconomic competitiveness involves the quality of social infrastructure and political institutions, as well as macroeconomic policies. Natural endowments relates to the availability of natural resources of various categories. Porter asserts that productivity ultimately depends on improving the microeconomic capability of the economy and the sophistication of local competition.

Coming to sources of prosperity, Michael E. Porter states that there are two sources namely: inherited prosperity and created prosperity. Under the former, prosperity is derived from inherited natural resources; and under the latter,

prosperity results from productivity in producing goods and services. Porter shows that the prosperity that comes from "inherited prosperity" is limited, whereas the prosperity that comes from "created prosperity" is unlimited.

Nigerian Macroeconomic and Microeconomic Competitiveness

Michael E. Porter, in his presentation, shows that Nigeria has made significant progress with regard to macroeconomic policy. He advised that the gains accruing from sound macroeconomic policy should be sustained against short-term temptations. It is regrettable to note, however, as pointed out by Porter, that political institutions and social infrastructure are very weak in Nigeria. Government entities are often inefficient and uncoordinated, tax complexity remains a weakness, the states and the federal government suffers from rivalry and poor collaboration, education and health institutions/facilities are very weak in the country. Coming to corruption and the rule of law, though readily available data show that Nigeria has made some progress with respect to reducing corruption and adherence to the rule of law, the country remains among the worst affected countries globally. The country remains in the bottom group of Sub-Saharan African countries in terms of governance. In general, Nigeria has performed poorly with regard to macroeconomic competitiveness.

With respect to microeconomic competitiveness, Michael E. Porter's presentation shows that Nigeria has performed very poorly.

Table 2: Selected Ranking from a Recent Global Competitiveness Report

| Indicator | Rank(out of 134 countries) |
|---|----------------------------|
| Patents per million population | 134 |
| Quality of electricity supply | 133 |
| Ease of access to loans | 124 |
| Burden of customs procedures | 122 |
| Regulatory quality | 122 |
| Quality of railroad infrastructure | 121 |
| Personal computers per 100 population | 117 |
| Quality of port infrastructure | 115 |
| Domestic credit to private sector | 114 |
| Mobile telephone subscribers per 100 population | 111 |
| Internet access in schools | 105 |
| Quality of roads | 104 |
| Tertiary enrollment | 103 |
| Low tariff rate | 100 |
| Internet users per 100 population | 99 |
| Intellectual property protection | 96 |
| Pay and productivity | 93 |
| Ease of starting a new business | 93 |

Note: Rank out of 134 countries; overall, Nigeria ranks 106th in 2008 Purchasing Power Parity(PPP) adjusted Gross Domestic Product(GDP) per capita and 93rd in Global Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2009)

Table 2 below shows some selected ranking from a recent global competitiveness report.

Porter's also shows that Nigeria has not yet embraced cluster development at the federal and state levels.

Competitiveness of Nigerian States and Economic Integration with Neighbors

Michael M. Porter's presentation indicates that many of the essential levers of competitiveness reside at the state level. Thus every state (and city) needs its own distinctive competitiveness plan. Competitiveness requires effective policy collaboration between states and the national government. The foregoing are essential ingredients for achieving maximum degree of competitiveness. Another major ingredient for achieving very high degree of competitiveness is unlimited economic integration with neighbours in West Africa. Unfortunately, the economic

integration in the Economic Community of West African States (ECOWAS) has been limited. With unlimited economic integration in ECOWAS, Nigeria will evidently be the greatest beneficiary.

Nigerian Competitiveness Agenda

Michael M. Porter suggests the following competitiveness agenda for Nigeria.

- (i) Maintain sound macroeconomic policy
- (ii) Improve the tax system
- (iii) Implement truly effective anti-corruption policies and strengthen the rule of law
- (iv) Modernise government
- (v) Improve education and healthcare
- (vi) Address bottlenecks in physical infrastructure and land use
- (vii) Catch up in Information and Communication Technology(ICT)

- (viii) Modernise and simplify business rules and regulations
- (ix) Continue reform of the financial sector
- (x) Open up local and international competition
- (xi) Protect intellectual property(IP)
- (xii) Develop a concrete economic diversification strategy based on cluster development
- (xiii) Align the interests of the states and the national government around competitiveness
- (xiv) Create effective economic strategies at the state level
- (xv) Assume a leadership role in West African economic integration

It is the view of Michael M. Porter that the foregoing competitive-ness agenda will make Nigeria become highly competitive and pave the way for the country to become one of the most prosperous countries in the world. Porter's also reviews recent Nigerian economic plans, and observes that economic reforms have been a central focus of recent Nigerian governments.

Defining a Nigerian Economic Strategy, and the Process of Economic Development

It is the view of Michael M. Porter that in defining a Nigerian economic strategy, the following questions should be asked:

- ♦ What is the unique competitive position of the nation, given its

- location, legacy, endowments and potential strengths?
- What is the national value proposition?
- In what clusters can the nation excel?
- What role can the nation play in its region?
- What are the key strengths that the nation can build on?
- What weaknesses must be addressed to achieve parity with peer country?

Providing sincere and adequate answers to the foregoing questions is an essential requirement for the development of a Nigerian economic strategy that will pave the way for the country to achieve tremendous and optimum level of competitiveness and socio-economic prosperity. Nigeria, according to Porter, needs an overall strategic framework, and not just lists of aspirations and weaknesses. The framework requires more rigorous prioritisation and sequencing. Competitiveness improvement demands a coordinating structure within government and a disciplined process of monitoring implementation.

Coming to the process of economic development, Michael M. Porter points out that in the old model, government drives economic development through policy decisions and incentives; but in the new model, economic development is a collaborative process involving the private sector, government at multiple levels, universities, labour and civil society. In concluding his presentation, Porter points out the following.

- Competitiveness needs to become a bottom-up process
- A shared economic vision across all stakeholders in society is needed
- A national campaign to communicate competitiveness principles and challenges to the broader population – and not just to the elites - is a necessity
- The private sector must take responsibility for driving competitiveness improvement and ensuring continuity

Michael M. Porter's presentation is indeed a masterpiece. It articulates virtually all that Nigeria needs to do in order to become highly competitive and prosperous. However, great emphasis should be given to human capital formation/development. Human capital formation/development involves investment in education/training, health and other social services such as housing and transport services. Put differently, human capital formation/development may be conceptualised as a conscious and continuous process of acquiring requisite knowledge, education/training, skills and experience that are crucial for the rapid socio-economic growth and development of a country. Indeed, of all the ingredients of human capital formation/development, education is the principal one. Investment in education is a sound investment for individuals, families, societies, regions, countries, continents and for the entire globe.

Education immensely improves health status; it tremendously raises productivity; and it greatly increases competitiveness, socio-economic growth, general quality of life and

overall socio-economic development of a nation. It is on record that countries of South East Asia were able to achieve tremendous and unprecedented economic transformation, economic growth and development between the 1960s and the 1990s, through enormous investment in human capital formation/development, mainly in education/training. It is regrettable to observe here that Nigerian governments at various levels have over the years invested grossly inadequately on education. This is one of the reasons why the Academic Staff Union of Universities (ASUU) frequently goes on strike. The Nigerian educational sector is in comatose; the sector is bedeviled by high rate of examination malpractices, poor funding, cultism, corruption in high and low places, poor, inadequate and dilapidated facilities, rape of academics and certificate meltdown; for instance, it has been observed that most of the Nigerian university graduates are unemployable, though many of them (the graduates) have fantastic degree results.

It is evident that many of the Nigerian university graduates in recent times obtained their degrees through cheating in examinations and through bribery in cash and in kind (these may be referred to as rape of academics and certificate meltdown). In the 2009 Webometrics ranking of world universities, no Nigerian university is among the best 6,000 universities in the world; and though Nigeria claims to be the giant of Africa, it is most preposterous and unfortunate that none of the country's universities is among the best 60 universities in Africa. There is urgent

need for the entire university system in Nigeria to be reformed to arrest all the vices in the system and restore the dignity of the nation's university degrees, and adequate funding should be given to education in Nigeria.

Nigeria aims to become one of the 20 leading economies in the world by 2020AD. The country

should not just aim to become one of the leading economies in the world merely on the basis of the size of its Gross Domestic Product (GDP), but on the basis of the socio-economic prosperity of its citizens and overall socio-economic development of the country. For Nigeria to become one of the 20 leading economies of the world by 2020AD, in terms of socio-

economic prosperity of its citizens and overall socio-economic development of the nation, the country should invest heavily and adequately in education, and the educational sector should be made to perform efficiently and optimally; suffice it to say that this holds the major key for the socio-economic salvation of Nigeria. *epi*

The Presentation — Creating a Competitive Nigeria: Towards A Shared Economic Vision – was delivered by Michael E. Porter to the Federal Ministers of Nigeria on July 23, 2009, in Lagos, Nigeria.

***Uche M. Ozughalu** is of the Department of Economics, Anambra State University, Igbariam Campus. E-mail: uchemord@yahoo.com

Bibliography

- Adamu, P.A. (2003) "The Impact of Human Capital on Economic Growth in Nigeria: An Error Correction Approach", in **Human Resource Development in Africa**, Selected Papers for the 2002 Annual Conference of the Nigerian Economic Society (NES).
- Bankole, A.S.(2001) "Determinants of Export Competitiveness of Nigeria's Manufactures: An Indicative Analysis". **NCEMA Policy Analysis Series**, Vol 7, No. 2, pp. 103-126.
- Blanke, J.(2008) "Assessing Africa's Competitiveness in a Global Context". <http://www.weforum.org/pdf/gcr/africa/1.1.pdf>
- Blanke, J., F.Paua and X. Sala-I-Martin(2005) "The Growth Competitiveness Index: Analyzing Key Underpinnings of Sustained Economic Growth". http://www.weforum.org/pdf/Gcr/GCR_2003_2004/GCI_Chapter.pdf
- Fagerberg, J.(1996) "Technology and Competitiveness". **Oxford Review of Economic Policy**, Vol 12, No. 3, Autumn, pp. 39-51.
- Landau, R.(1992) "Technology, Capital Formation, and US Competitiveness", in Hickman, B.G.(ed) **International Productivity and Competitiveness**. New York: Oxford University Press.
- Organization for Economic Co-operation and Development (OECD)(1996) **Industrial Competitiveness**. Paris: OECD.
- Ozughalu, U.M. and P.I. Ajayi(2004) "Absolute Poverty and Globalization: A Correlation of Inequity and Inequality", in **Globalization and Africa's Economic Development**, Selected Papers for the 2003 Annual Conference of the Nigerian Economic Society(NES).
- Population Reference Bureau (PRB)(2008) **2008 World Population Data Sheet**. Washington, DC: PRB.
- Reiljan, J., M. Hinrikus and A. Ivanov(2000) "Key Issues in Defining and Analyzing the Competitiveness of a Country". **Faculty of Economics and Business Administration Research Paper 1**, University of Tartu.
- Umo, J.U.(2007)**Towards Designing a Knowledge Strategy for Nigeria's Development**. Ibadan: NES.
- United Kingdom Department of Trade and Industry (1998) **Regional Competitiveness Indicators**. London: HMSO.
- World Bank(1993) **The East Asian Miracle, Economic Growth and Public Policy**. Washington, DC: World Bank.
- (2008a) Knowledge for Development(K4D).
http://info.worldbank.org/etools/kam2KAM_Page5.asp
- (2008b) **World Development Indicators**. Washington, DC: World Bank.
- World Economic Forum (2007) **The Global Competitiveness Report 2007-2008**. New York: Palgrave Macmillan.