



## **Rural Entrepreneurship in Nigeria: Lessons From Scientific Management**

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### **ABSTRACT**

This article focussed on the lessons that can be garnered from the tenets of Scientific Management. We undertook an X-ray of the tenets of Scientific Management and how these tenets can be adopted to ensure the success of emerging entrepreneurs in the rural areas. Many rural entrepreneurs fail within a short period of start-up, yet these entrepreneurs are a sure springboard for the development of these rural areas and nation as a whole. It was observed that many causes of the failure of these entrepreneurs could have been taken care of through the adoption of the tenets of Scientific management such as a sound knowledge of the business proposed and capacity building. Key recommendations were that: Government should provide an enabling environment for innovation and entrepreneurship; provide sources of capital and build a repository of information on businesses.

**Key words:** Rural entrepreneurship, scientific management.

### **INTRODUCTION**

Rural dwellers constitute more than seventy percent (70%) of the Nigerian labour force (Etuk, 2008) and most of this labour force is engaged in subsistent agrarian work using traditional methods. Also the rural –urban drift of labour in which youths move from the rural areas to the urban centres in search of white collar jobs, presents a grievous scenario for economic emancipation of both rural dwellers and the nation as a whole, in that it depleting rural labour force and increasing unemployment in the urban areas.

## *Rural Entrepreneurship in Nigeria*

Yet the teeming population of rural dwellers promises a ready market for diverse goods and services. It is apt to note that the business activities in these rural areas continue to revolve mainly around agriculture at subsistence level, till now the most important industries that contribute to GDP are Oil/gas and the processing of agricultural products. Observation reveals unsuccessful attempts to breakout of the mould of rural traditional business activities and venture into new business activities.

Nigeria is facing several challenges that stop her from sustained diverse development. It appears that more than 80% of people in Nigeria live in extreme poverty, that is, one in every five persons (United Nations Report, 2009). Rural poverty has become as serious as poverty in the urban, and has doggedly resisted a variety of attempts at alleviation through economic development policies. Presently the strategy for addressing this problem is the encouragement of evolving “indigenous” enterprises in rural communities. It is expected that these new ventures; – will provide jobs or at the minimum self-employment; remain in the areas where they started as they grow; and will sell their goods and services to other communities, thereby generating much-needed income. There is a need for a new rural entrepreneurial strategy that can help create new resource bases, turn what appears now to be irrelevant into a value and, after combining with other resources, emerge a whole that orientates to new needs, perspectives and interests. All human activities such as agriculture, education, transportation, health care, etc in the rural environment deserve development and are therefore pregnant with opportunities for entrepreneurs.

Entrepreneurship is defined by Snell (2002) as the pursuit of lucrative opportunities by enterprising individuals. Rural entrepreneurship by extension will then be the pursuit of lucrative opportunities in the rural areas by enterprising individuals. Rural entrepreneurship is more likely to flourish in those rural areas where the two approaches to rural development, the ‘bottom up’ and the ‘top down’, complement each other. The ‘top down’ approach gains effectiveness when it is tailored to the local environment that it intends to support. The second prerequisite for the success of rural entrepreneurship, the ‘bottom up’ approach, is that, ownership of the initiative remains in the hands of members of the local community (Chinedu, 2009).

Entrepreneurship does not subsist in a vacuum but operates within an organisation. According to Mayo and BPP (1993), scholars in management and organisation hold the view that if certain principles of management and organisation are put into practice, then management will be more successful in ensuring that the objectives of the organisation are achieved and in an efficient manner. They further posit that the aim of management was (and still is) effectiveness and efficiency in the use of resources to achieve organisational goals. Observation reveals unsuccessful attempts to venture

into new business activities by rural entrepreneurs. According to Anyanwu and Onuoha (1999), scientific management as enunciated by its founder Sir Frederick. W. Taylor focused on one best way of doing a task which could be realized through careful observation, experimentation and measurement. The objective of this paper is to highlight the potentials of Scientific Management as a panacea for the failure of rural entrepreneurs.

### **Theoretical Framework**

Stoner, Freeman and Gilbert (2006) posit that scientific management arose in part from the need to increase productivity. In the United States especially, skilled labour was in short supply at the beginning of the twentieth century. The only way to expand productivity was to raise the efficiency level of workers. Therefore Fredrick W. Taylor, Henry L. Gandt and Frank and Lillian Gilberth devised the body of principles known as Scientific Management Theory. Nwachukwu(2000) summarized Taylor's four principles of scientific management thus:

The gathering, analysis and codification of all "rule of thumb" and data existing in business; Careful selection of employees and development of employees to enable them attain their optimum potential; Educating men to scientific method that has been tested and proven to be effective; Management should reorganize these in order to carry out their duties properly.

Rue and Byars (1995) expatiated that the development of a scientific method of designing jobs to replace the old rule of thumb methods involve gathering, classifying, and tabulating data to arrive at the 'one best way' to perform task or series of tasks.

The second tenet of the scientific management approach requires that workmen should be carefully trained, and given jobs to which they are best suited. Although training is an important element in his principle of management, 'nurturing' might be a most apt description of Taylor's idea of work development (Mayo B.P.P., 1993)

The third tenet of the scientific management approach demands the bringing together of scientifically selected employees and scientifically developed methods for designing jobs. Taylor advocated that new scientific methods of job design should not be merely put before employees; they also should be fully explained by management. Taylor considered that employees would show little resistance to changes in methods if they understood the reason for the change-and perceived a chance for greater earnings for themselves (Rue and Byars, 1995).

The fourth tenet of Taylor's approach was the division of work. He believed that management should ensure an appropriate division of work and responsibility between managers and workers.

### **The Concept of Entrepreneurship**

Entrepreneurship has been recognized as an important aspect and functioning of organization and economies (Dickson, Solomon and Weaver, 2008). It contributes in an immeasurable way towards creating new job, wealth creation, poverty reduction, and income generating for both government and individuals. Schumpeter in 1934 argued that entrepreneurship is very significant to the growth and development of economies (Keister, 2005). Entrepreneurship has assumed a great deal of importance for accelerating economic growth both in developed and especially developing countries. It promotes capital formation and creates wealth in countries, reduces unemployment and poverty and is a pathway to prosperity.

Having understood the vital role of entrepreneurship in economic development, it become apparent that careful attention is needed to invest and promote entrepreneurship. According to Franco (2012) the concept of entrepreneurship is particularly difficult to define. The difficulty Franco ascribed to the fact that the word has been given several meanings. The contribution of Schumpeter (1975) is important as it linked the concept of entrepreneurship to that of innovation distinguishing four entrepreneurial roles: the person who has a new idea and that especially invents a new product, the entrepreneur brings the product to the market, the capitalist who provides financial resources for the innovation to take place and finally the manager who supervises the daily business of the new idea. Schumpeter (1975) further posits that entrepreneurship is a process of change where innovation is the most vital function of the entrepreneur. Again entrepreneurship is the process of exploring the opportunities in the market place and arranging resources required to exploit these opportunities for long term gain. It is the process of planning, organizing opportunities and assuming. It is known as the risk of a business enterprise. It is a creative and innovative skill and adapting response to environment (Wikipedia, 2012).

### **Essentials of effective entrepreneurship**

According to Inegbenedor (1989) an entrepreneur performs the following functions: Identification of investment opportunities; Choice of investment opportunities; Decision on the form of business enterprise; Factor combination; Business directorship; Risk bearing and Innovation. An effective carrying out of these functions in Ile's (2003) opinion depends on the following factors:

- Possession of entrepreneurial capacity or traits;
- Possession of distinctive competences;
- Presence of supportive environmental variables;
- The availability of investment or business opportunities in the society.

Ile (2003) expounded further that entrepreneurial traits include drive, mental ability, communication ability, technical knowledge, decisiveness, adaptability and so on. Distinctive competence, Ile (2003) posits is the entrepreneurial desire to start a business coupled with the ability or experience to compete effectively once the enterprise is initiated. Environment can be defined as surroundings especially the material and other influences which affect the existence, growth and development of a living being or an organisation (Ile, 2003).

### **Entrepreneurship and the Nigerian Industrial Policy and Incentives.**

From history, entrepreneurship development in Nigeria is a late starter as the indigenous entrepreneurs were never allowed to develop by the colonial entrepreneurs. Eshiobo( 2010) affirmed that historically, entrepreneurship development in Nigeria remained excluded from industrial policy until changes began to occur in 1980s due to ambivalence of competition and increasing service sector. At this point a brief overview of Nigerian Industrial Policy and Incentives is relevant. Famade (2009) enunciated that the first industrial strategy embarked on by the Nigerian government immediately after independence, is the Import Substitution Industrialisation policy which had a twofold objective of reducing dependence on foreign trade and conserving foreign exchange. The second industrial policy is the Nigerian Indigenisation policies of 1972 and 1977. The purpose of these policies was to vest the ownership and control of enterprises in the hands of Nigerians and to encourage foreign businessmen and investors to move from the unsophisticated areas of the economy to the areas where large investment is needed more. Structural Adjustment Programme (1986), the third industrial policy, came into existence to remedy the weaknesses and ineffectiveness of earlier industrial policies. It aimed at stimulating investment particularly in non-oil exports, providing a base for private sector led development and promotion of industrial efficiency. The fourth policy Trade and Financial Liberation Policy was enacted purposely to foster competition and efficiency in the financial sector. The fifth policy was the establishment of institutions for industry such as the Nigerian Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) and Leasing Company of Nigeria (LECON). Their purpose was to provide finance, generate employment and industrial dispersal, and promote indigenous entrepreneurship. The next industrial policy of Nigeria was the floating of the Small and Medium Industries Equity Investment Scheme in 2000. Through this policy the government aimed at enhancement of regional economic balance through industrial dispersal, reduction of rural urban migration and development of local technology.

To enhance the success of the aforementioned industrial policies the government provided some incentives. Some of these incentives were: tax

### ***Rural Entrepreneurship in Nigeria***

holiday(to protect industries from international competition and enhance expansion efforts), tariff protection(Protection of local industries), import duty relief( to make procurement of capital equipment cheap), reduction of Excise duty (to reduce the cost of goods produced), Duty Drawback Scheme (to increase exports), total embargo, Provision of Supportive Activities( such as building of export Processing Zone in Calabar, Lagos and Port Harcourt), supportive financial directives to financial institutions on direction of loans, Approved User Scheme and direct Government Participation.

### **Entrepreneurship in Nigeria**

The global increasing emphasis is on small and medium size entrepreneurship both for the urban and especially for the rural areas; this has brought up major challenges for policy makers. Groot (2001) in a study commissioned by United Nations stated that many constraints shared by men and women include poor access to market information, technology and finance, poor linkages with support services and an unfavourable policy and regulatory environment. Groot (2001) further stated that female entrepreneurs face additional obstacles due to deeply rooted discriminatory socio- cultural values and traditions embedded particularly in the policy and legal environment, and in institutional support mechanisms. This fact is of significance to Nigeria whose population consists of forty nine percent females according to 2006 census. Kolawole and Torimiro (2006) posit that the wrong policies of many Nigerian administrations have concentrated infrastructural development mainly in the urban centres, making the villages to look unattractive for production ventures. Kolawole and Torimiro stated further that those who live in more remote settings experience limited access to markets; dearth of production inputs and vital information; and less accessibility to social and economic services. Ihua (2009) in a study he conducted comparing key failure-factors of SMEs in United Kingdom and Nigeria found out that external factors such as poor economic conditions and inadequate infrastructure were the most crucial failure-factors for Nigeria. However, this does not mean that other factors such as poor and improper planning, financial problems and disasters amongst others are not important. Ihua's observation is corroborated by Adenikinju (2005); Oboh (2002) and Okpara (2000).

Oteh (2010) painted the Nigerian entrepreneurial scenario thus: the success of entrepreneurship is tripartite as the key players are the individuals, the firms and government.

### **Role of individuals**

In every society, some individuals will naturally become entrepreneurs, whatever the challenges, while others in that same society will never become entrepreneurs, irrespective of the assistance they are given or their circumstances. In between these two extremes, lie large numbers of individuals whose capacity to become entrepreneurs will depend on the circumstances they are faced with. Oteh (2009) posits that the crucial element in building a nation of entrepreneurs is therefore to identify those circumstances that can help turn a majority of those in this variable group into productive entrepreneurs, emphasising further that the removal of barriers in the system often does more to foster entrepreneurship than the creation of incentives.

### **Role of firms**

The Nigerian business scenario can best be painted thus:

“the Doing Business Index ranked Nigeria 125th out of the 183 economies 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 a Business 94.....

A major hindrance to the development of small enterprises and thereby entrepreneurship in Nigeria relates to access to finance. As at 2007, over 70 percent of Kenyan households did not have bank accounts or relied on informal sources of finance. The situation in Nigeria is even worse as „ Doing Business“ ranks Kenya ahead of Nigeria on access to credit.

### **The Role of Government**

Given the complexities of the economic environment, the most important role for government is to facilitate entrepreneurship in a non-interventionist way by providing a conducive policy environment. Policy makers need to understand the key factors that help entrepreneurs to flourish such as: adequacy of infrastructures, sound regulations, access to finance and healthy capital markets, the financial incentives for entrepreneurs, and protected intellectual property. It is encouraging to note here that the Nigerian Enterprise Promotion Decree of 1972 is a policy that led to private businesses

## ***Rural Entrepreneurship in Nigeria***

springing up to generate employment, income and increase in GDP. Nigerian entrepreneurs have now ventured into the less-explored areas of telecom, transport, hospitality, music, film and food processing. In addition, the Nigerian government has supported entrepreneurial ingenuity through various programs to encourage self-employment, income empowerment, social cohesion, technical progress and economic development.

### **Scientific management and entrepreneurship**

This section of this paper is concerned with the role that scientific management can play in entrepreneurship from the point of view of the tenets of scientific management. To be a successful entrepreneur, individuals must build capacities in four key strategic areas namely: Operational, Management, Financial Management, and Personal capacities. Entrepreneur capacity building involves developing the combination of all four capacity elements, to provide the inputs for great entrepreneurial success. Some of these capacities are gained through experience throughout your career, while others are learned through educational avenues. Some successful entrepreneurs are born with strong personality traits, and some behaviours are strengthened through learned responses in the business environment.

Linton (2012) asserts that managers need rapid access to information to make decisions about strategic, financial, marketing and operational issues. Companies collect vast amounts of information, including customer records, sales data, market research, financial records, manufacturing and inventory data, and human resource records. A management information system simplifies and speeds up information retrieval by storing data in a central location that is accessible via a network. The result is decisions that are quicker and more accurate. Management information systems bring together data from inside and outside the organization. In situations where decision-making involves groups, as well as individuals, management information systems make it easy for teams to make collaborative decisions. Management information systems help decision-makers understand the implications of their decisions. The systems collate raw data into reports in a format that enables decision-makers to quickly identify patterns and trends that would not have been obvious in the raw data. Decision-makers can also use management information systems to understand the potential effect of change. Finally the reporting tools within management information systems enable decision-makers to tailor reports to the information needs of different stakeholders. Tokic, Spanja, Tokic and Blanzevic (2011) opioned that globalization processes have changed the traditional concept of operations and led to the need for information management as an integral part of every company's assets. With application of information and communication technologies, the world has become a global village, distribution channels

have changed, companies increasingly compete on a global or macro-regional, rather than local level, there is a more and more virtual companies and a global delivery systems. Tokic et al (2011) asserted further that business enterprise is unthinkable without the existence of information systems regardless of whether it is a complex information system based on a high technology or in terms of simpler systems in which data collection and processing and distribution of information is done manually. This stance echoes the first tenet of scientific management.

The second tenet of Scientific management demands a careful selection of employees and development of employees to enable them attain their optimum potential. Meritocracy and technocracy have to be the guiding principles in manpower recruitment if this tenet is to be adhered to. The implication is that workers are not selected on the basis of relationship, favouritism or godfatherism but purely chosen as a result of the capacities to perform identified in these workers. Equally importantly these new workers must be adequately prepped through training and development, to enable them actualize their potentials especially in the dynamic environment of business. In the Nigerian society, the extended family system makes it difficult for the second tenet of scientific management to be strictly adhered to.

The third tenet is the place of capacity building as it requires the equipping of workers and interestingly management with the knowledge and skills to carry out their tasks. According to Bassano (2008) microenterprises, meaning firms with maximum of five workers, are very important job creators in the rural areas of any nation. It is important to equip these business owners with the tools necessary to grow and prosper especially in view of the high incidence of small businesses failure within 5 years of start-up because entrepreneurs lack sufficient business management skills (Muske and Stanforth, 2000). Participation in relevant and effective training has been shown to reduce the failure rate and help business owners avoid costly mistakes (Muske and Stanforth, 2000).

Many entrepreneurs don't have experience with, or connections into crucial groups essential for their success such as service providers, suppliers, clients and collaborating networks. Formal and informal networking opportunities are required to link entrepreneurs to, and learn from, potential clients, collaborators, strategic partners, professionals and suppliers. Mentoring is important enough to be considered on its own. Early entrepreneurs don't often have strong connections to the key individuals who can guide them along the entrepreneurial path. In addition, it is important to note that entrepreneurship courses are different from business courses. Entrepreneurship courses cannot just be re-purposed or rebranded business courses. Also essential for a healthy entrepreneurship ecosystem is the non-credit learning that comes in the form of personal/professional development,

## ***Rural Entrepreneurship in Nigeria***

guest speakers and activities & competitions that provide learning and skills development opportunities.

### **CONCLUSION**

There are lessons in Scientific management that are very useful to entrepreneurship in Nigeria regardless of the flaws that have been identified in the theory. Conclusively these lessons are:

No enterprise can be ventured into successfully without adequate information and knowledge. Entrepreneurship can succeed maximally only when employees are recruited solely on the basis of meritocracy and technocracy. To succeed the capacity of both employees and management must be built up operationally, financially, managerially and personally.

### **RECOMMENDATIONS**

Policies that encourage successful rural entrepreneurialism are presented below.

1. Providing an enabling environment for innovation and entrepreneurship. This can be done by making entrepreneurship one of the economic development goals of the nation and creating support mechanisms for entrepreneurs.
2. Government should not only invest in diverse sources of capital, but also provide fiscal incentives for investors.
3. Build a repository and disseminate information on the best ways to go about different businesses.
4. Support faculty entrepreneurship efforts within the higher education system.

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