

## Entrepreneurship, ICT and SME Development in Nigeria:

### The *Ye, Yan, Yanju* Paradigm

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#### Abstract

This paper examines the role of ICT in the development of entrepreneurship and Small and Medium Enterprise (SME) in Nigeria. It considers the impact of ICT on the creation of budding infopreneurs sequel to the introduction of the Global System for Mobile (GSM) communication in the country. It was discovered that the introduction of GSM as a factor of Information and Communication Technology (ICT) opened up a vista of opportunities for youth empowerment and employment. Using exploratory methods, the study discovered that ICT has a major role to play in the development of start-up enterprises, most of which are novel creations in their own rights. These previously unheard of ventures created opportunities for addressing the yearnings for employment and job creation for the youth and they include such entrepreneurial ventures as the ubiquitous call centers and short-codes businesses. However, each new enterprise must transcend three local dimensional contexts to attain sustainability; *ye, yan, yanju*. Contexts parallelly aligned to enterprise conception, birth and persistence. It was also discovered that limiting factors such as poor access to financial assistance and poor marketing skill and orientation constitute challenges which any budding entrepreneur need to tackle to achieve sustainability of the established venture.

**Keywords:** infopreneurs, intrapreneurs, call-center, GSM, *Ye, Yan, Yanju*

#### 1. Introduction

African traditional belief about life is predicated on predestination, freewill and opportunities. In the Yoruba culture, it is the admixture of these concepts that determines the altitude and attainment of individuals as well as groups in life (Karade, 1994). Yoruba folklore however, hold special regards for the transition of the individual from infancy, and at times before birth, to adulthood and this is aptly captured in various African nights stories related to children under the moonlight. Some of such stories portray the hero as an infant born with veritable predilection for greatness through the divination of the *Ifa* oracle (for example Ola Rotimi's "*The Gods are not to blame*"). The *Ifa* oracle also foretells the divine predestination of the occupational existence, *akose jaye*, of the infant. It predicts whether the baby boy will be a great hunter, a skilled craftsman or a warrior among other communally relevant skills. The word '*ayanno*' means 'choice', and '*Kadara*' means 'divine share for a man'; '*ipin*' means 'predestined lot'. The Yoruba believe that there is a god, '*Ori*', who supervises people's choices in heaven. Literally, '*Ori*' means 'head' or 'mind', because that is what one chooses before birth. If someone chooses a wise head, i.e. intelligence, wisdom, he will walk easily through life, but if someone chooses a fool's head, he will never succeed anywhere (see [www.a-galary.de/docs/mythology-yoruba.pdf](http://www.a-galary.de/docs/mythology-yoruba.pdf)).

The initial stage of birth and infantile response to stimuli is considered "*Ye*". Encompassing the conception and birth stage, "*Ye*", implies survival and establishment. This stage is concluded with the toddling and waddling phase, where the child starts seeking knowledge and understanding of the outside world. The "*Yan*" stage symbolizes the survival of the child beyond infancy to the stage of exploration of paths of experiences and enquiries. The assumption here is that the child has transcends pure infancy to a state of adequate internal and external equilibrium to survive on its own to a certain extent. The "*Yanju*" stage is the point where the child has assumed full growth and is also capable of procreative activities and colonization of entities as well as taking full responsibilities for actions and their outcomes. These precepts of Yoruba beliefs are also used on non-human elements that could assume personal qualities such as firms, motor-vehicles and even domestic animals. Special consideration should be given to the fact that registered enterprises possess legal personalities that could sue and be sued.

## 2. Entrepreneurship and establishment of Small and Medium Enterprises

Entrepreneurship is the recognition of an opportunity to create value, and the process of acting on this opportunity, whether or not it involves the formation of a new entity (FaCs, 2003). However, this view of entrepreneurship has been preceded by certain basic understanding of what an entrepreneur do. For instance, Cantillon (1730) sees an entrepreneur as a self-employed person with tolerance for risk inherent in providing for his own economic well being while Say and Turgot (1830) considered the entrepreneur to be a person who possesses managerial skills, creates and develops new business. Schumpeter (1934) on the other hand considered entrepreneurship as the primary engine of economic development and the entrepreneur as an innovator. The amalgamation of all these views presents entrepreneurs as both innovators and establishers of micro-scale enterprises to pursue opportunities and economic development both of which work towards a single goal of improving the quality of life of the people.

In recent times, the role of the entrepreneur has been expanded with the advent and prevalence of Information, Communication Technology (ICT); a general-purpose technological era with a pervasive impact on the economy. ICT introduces a new paradigm for the configuration of economic activities by radically changing the approach to technology for development (UNCTAD, 2007). Components of ICT include such gadgets as the telephone; analog, digital or GSM; the television, radio, fax machine and all other emerging technologies that make it possible to communicate ever more conveniently across borders and cultures. Blinder (2005), described it as the third industrial revolution for its stimulation of growth in all facets of economic interactions, not least of which is the development of entrepreneurial skills and abilities and the evolution of new businesses. Its transformatory role has change the notion of “entrepreneurship” from a time and space limited entity to a more pervasive concept involving the use and modification of intangibles such as ideas and experiences in the creation of equally virtual and intangible enterprises. And just as the previous revolutions introduced new forms of entrepreneurship, a new generation of entrepreneurs based on the use of information was also created. This comprises of two major categories of entrepreneurs.

The first of these categories is the “infopreneurs”. These are entrepreneurs who came up as a result of the burgeoning ICT revolution. They include among others telephone center operators, recharge card sellers and micro internet cybercafé operators. The second category, the “sociopreneurs” on the other hand are entrepreneurs who are not directly drawing their income from the sale of any ICT factor but rather from its use for social networking and facilitation. They include, among others, the short codes operators and SMS re-routers. They provide an innovative avenue for the use of combination of ICT factors; GSM phones and internet connected computers.

Both of these categories could be further classified on their orientation towards enterprise building and SME creation. According to Schoof’s (2006) classification, the infopreneurs could be classified as technical entrepreneurs; individuals with strong technical orientation who love inventing things and developing ideas for new products. They also seek to develop new markets and methods of products distribution. The sociopreneurs on the other hand are more or less dealmakers who enjoy making the initial deal to start a new venture and often enjoy some start-up activities. However, both tend to be organization builders.

### 2.1 Enterprise Creation and growth stages

The first stage of enterprise creation is the *ideation* stage. It is the enterprise-initial-action and the thinking phase involving creativity or discovery of opportunities that others have failed to recognize or create (Dionco-Adetayo, 2004). Identified opportunities are then evaluated and the best chosen. Once an opportunity has been identified, a business plan is then drawn up. The business plan details the nature of the new enterprise, covering such areas as the product or service, the customers, the competitors, the production and marketing methods, the management, the financing, the accounting plan, organizational plan and other significant aspects of the new venture. The details of the business plan enable the entrepreneur to move ahead with the determination and acquisition of resources. At this stage, the major challenges faced by a budding entrepreneur are acquisition of human and financial resources. Once this level has been attained, the acquired resources must be managed optimally well. Proper management of the new enterprise leads to growth and eventual sustainability.

### 2.2 The stages of Entrepreneurial development

The Global Entrepreneurship Monitor (GEM) identifies certain transitional stages that any potentially successful business would have to transcend. The phases were divided into three growth stages namely; conception, birth and persistence.

At the conception stage, general intentions are followed by “a more active early or “nascent” phase where businesses are in gestation” (GEM, 2008). The birth stage marks the actual attainment of the initial operational objectives of the new firm such as payment of salaries for at least three months both to the business owner and sundry employees. At the persistence stage, the business is already established for at least three years and is still surviving through innovative ideas and proper management (see Figure 1, below).

The GEM classification considered the transition of the enterprise from conception to persistence in relation to length of existence. What this classification fails to capture is the growth potential and growth perception of the enterprise and the enterprise creator. A business may transcend all the three stages and still remain small in both structure and coverage. This raises questions on the scope of the classification. For instance how big, in terms of operational coverage and structural size, can an enterprise be at the birth stage? Will the persistence stage also cover the perception of going global and eventually becoming a multinational outfit? Is there a connection between these three stages with traditional perception of enterprise growth and persistence?

### 3. Local dimensional contexts of entrepreneurship and SME development in Nigeria

The first local dimensional stage is synonymous to the conception cum birth stage of the Global Entrepreneurship Monitor (GEM) classification. This stage is here identified as the ‘*Ye*’ period of entrepreneurship development. The “*Ye*” stage symbolizes the copulation between idea and active hard thinking. It extends beyond mere conception of the idea but the fertilization of such idea with measurable activities of initial implementation of the enterprise project such as environmental scanning. Gestation takes the form of regenerating idea into actual practical planning. At the ‘*Yan*’ stage, operational maturity is displayed with the enterprise showing promise of acceptance and adoption by the community and the environment. It symbolizes a transition between actual establishment and consistency in service delivery as well as performance over and above competitors’ activities. Both stages are however operational at the local level. Firms displaying the ‘*yanju*’ tendencies are usually operating at a level of efficiency relevant for participation in the global market. They have also transcended sole or private ownership to become full-fledged limited liability companies or quoted firms on the floor of the stock exchange.

### 4. Methodology

This study is based on a 2010 survey of 645 ICT factor operators in the Ogun/Lagos axis of Nigeria (Olaoye, 2010). The survey captured the response of 415 call centre and 230 cybercafé operators to questions bordering on their motivation for setting up their businesses and the challenges they encountered. Three levels of enterprise development were identified and classified in relation to responses to certain questions; the age of the business, the perceived growth rate of the business and the future growth perception of the enterprise creator.

Up to 602 (93%) of the businesses were established within the past five years while 43 (7%) were established between 6 to 8 years ago. It could be inferred that the relatively young age of the firms is due to the fact that GSM was introduced late in the country and ICT, until the proliferation of internet services, was limited to desktop publishing and sundry secretarial functions. However, when one consider that of the 43 (7%) businesses with considerable length of existence 19 (44%) are GSM telephone call-centers then it may be safe to assume a high mortality rate for computer service firms since computers have been around for much longer. Of the computer service firms, 3 (7%) have major business outlays with one or more branch offices across the area of study.

### 5. Results and Discussions:

Of the 645 sampled enterprises, 410 of firms set up between 1 to 5 years claimed to have achieved over 50% growth in size since they were established while 35 enterprises either remain the way they were or did not progress appreciatively. Firms established for much longer period also show similar trend with 38 firms showing growth of over 50% since inception (Table 1).

In table 2, the future growth perception of the enterprise owner/manager was gauged and it was discovered that most of the respondents (458, 71.01%) perception is national in scope. However, a considerable number, 147 (22.80%), have international perception of the growth of their organizations. This is made up of 140 (21.71%) with a pan-African perception of the growth potential of their enterprises and 7 (1.09%) with such perception beyond the African continent. A combined total of 40 (6.2%) firms have scope of growth limited to their local community. These three identified growth perceptions are synonymous to the determinants of the enterprise survival phases of ‘*yan*’, ‘*yanju*’ and ‘*ye*’ respectively.

## 6. Conclusion and Recommendations

The respondent organizations face certain constraints which could be classified as internal or external constraints. The internal constraints include an all encompassing lack of the appropriate and adequate enterprise establishment and building knowledge, which resulted in the early collapse of many start-ups in this sector as well as poor marketing orientation.

Identified external constraints include lack of personal savings and resources, lack of securities and credibility for debt financing, lack of business experience and skills for debt financing, lack of knowledge, understanding and awareness of start-up financing possibilities. These constraints negatively impact the 'ye' phase of enterprise development. The 'Yan' phase is affected by the long waiting periods characteristic of the process of application for funding, strict credit-scoring methodologies and regulations coupled with a complex documentation procedure for accessing loans and government financial support; complex legal requirements for establishing enterprise qualified for legally recognized financing options and lack of successful micro-finance organizations for the provision of seed capital and funding. All of these constraints also affect the survival and persistence of the enterprises in the long term, negatively impacting on the expansion goals and objectives of the firm in the 'Yanju' phase.

Furthermore, the multiple tax regimes operational in Nigeria was discovered to be counterproductive in the development, growth and sustenance of enterprises based on the use of ICT.

From the foregoing therefore, it is highly recommended that relevant authorities should put in place liberalizing tools for easy access to funds for start-ups as well as the streamlining of the tax system to help new firms grow in a tax friendly environment. The period for processing and accessing loans and grants should be simplified and made less complex.

Overall, there is the need for necessary political will on the part of the government to ensure the creation of a conducive environment for the development of ICT infrastructures to aid entrepreneurial development in general. This becomes exceptionally important considering the pivotal role being played in entrepreneurial development by Information and Communication Technology.

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Table 1: Age of Business and growth rate perception of owner/manager

My business has grown by more than 50% since it was set up....	Age of Business			
	1 – 5 years	6 – 8 years	9 -12 years	Over 12 years
Strongly Agree	399 (66%)	27 (63%)	0	0
Agree	111 (18%)	11 (26%)	0	0
Neutral	57 (10%)	3 (7%)	0	0
Disagree	32 (5%)	2 (4%)	0	0
Strongly Disagree	3 (1%)	0	0	0
Total	602	43	0	0

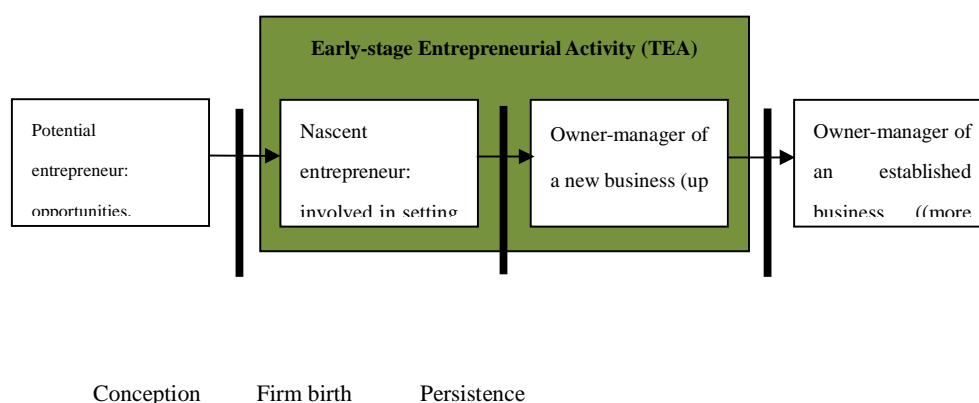
Source: Fieldwork, 2010

Table 2: Age of Business and Owner/Manager future growth perception

My dream for this enterprise is to become known...	Age of Business				
	1 – 5 years	6 – 8 years	9 -12 years	Over 12 years	
All over my community	39 (6.48%)	1 (2.33%)	0	0	40 (6.20%)
All over Nigeria	427 (70.93%)	31 (72.09%)	0	0	458 (71%)
All over Africa	133 (22.09%)	7 (16.28%)	0	0	140 (21.71%)
All over the world	3 (0.50%)	4 (9.30%)	0	0	7 (1.09%)
Total	602 (100%)	43 (100%)	0	0	645 (100%)

Source: Fieldwork, 2010

Figure 1 – The Entrepreneurial Process and GEM Operational Definitions



Source: GEM, 2008

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