GLOBALIZATION, COMPETITION, AND SURVIVAL OF SMALL AND MEDIUM SIZED ENTERPRISES IN THE NIGERIAN BUSINESS ENVIRONMENT

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Abstract

The purpose for this study was to contribute to the burgeoning literature on globalization and highlight its competitive impact on SMEs in the Nigerian business environment. Consequently, it addressed three questions: "Does globalization create or accentuate competition?"; "what is the impact, if any, on SMEs in Nigeria?"; and "what efforts have been made to cope with the competitive onslaught of globalization?" It was found that capitalist globalization has been accompanied with hypercompetition within a collapsed relational space; competitive advantage by multinational enterprises and centres of capitalism are sought and sustained through technological imbalances and use of unfair competitive practices; and that the Nigerian business environment does not provide enabling circumstances to nurture local competitive response (strategy). Policy directions were suggested to combat these negative impacts. Finally directions were suggested for future research.

***KEYWORDS**: globalization; competition; SMEs; Nigerian business environment.*

Introduction: The Problem and Objective

Never before in history has globalization characterized the entire world economy (Tausch, 1999), disturbed, and thus as frequently discussed and contested (Spicer and Fleming, 2007), as it has, in the contemporary world. And although, it has been the subject of scrutiny and vociferous debate for at least two decades or so, no consensus is in sight as to its causes, effects or desirability, for which reason it has been called "a triumph of ambiguity" (Van Der Bly, 2005), "a new fault line on the world's ideological map" (Kale, 2004); and creating what Roth (2008) called "radical uncertainty".

Globalization is the intensification and irreversible transformation of the political, economic, and socio-cultural spheres of the world, as we know it. *This irreversibility and ambiguity constitute a problem*, which this paper seeks to explicate. Our concern in this paper is the intensification of competition and its uncertain impact on the survival and performance of SMEs in Nigeria.

The general purpose of this paper, therefore, is to contribute to this ongoing debate. In particular, we choose to contribute to a better understanding of the way in which globalization produces or accentuates competition and its impact on the survival of SMEs in Nigeria. To guide and focus the study, we raise three research questions. First, does globalization create or accentuate competition? Second, what is the impact, if any, on SMEs in Nigeria? Third, what efforts have been made to cope with the competitive onslaught of globalization? Thus, the specific objectives of this paper then are to find answers to these three questions.

We structure the paper as follows: After setting the stage, as we have done in the above introduction, we use the subsequent section to develop a theoretical understanding of the globalization phenomenon and its link to competition in the Nigerian business environment. We go on to highlight the competitive challenge that globalization poses to SMEs in Nigeria. In the subsequent section, we examine state efforts in developing a national competitive system. We use the next section to conclude the paper, evaluating the adequacy of the efforts to address the competitive challenge and make policy recommendations as well as pointing out future research directions.

Theoretical Framework

This section is used to provide the theoretical rationality for linking globalization to competition in the Nigerian business environment. We search for conventional wisdom in the literature, which is then used to provide the rationality for linking globalization to competition. We guide our search from the point of view of hyperglobalism as an organizing frame of reference. In other words, the meaning, development, and impact of globalization in this study will be analysed, understood, and evaluated from the point of view of hyperglobalists. Kale (2004) suggests that the globalization debate has three camps, namely, (i) the hyperglobalists, who believe that globalization is caused by *capitalism and technology*; (ii) the sceptics, who suggest that *states and the market* are the drivers of globalization; and finally (iii) the transfomationalists, who believe that globalization is driven by the combined *forces of modernity*.

Capitalism and globalization

What has capitalism to do with globalization? According to Harvey (as cited in Castree, 2009) the major characteristic of capitalism is that it is not constrained by time and space; that is, it is unbound by spatio-temporal limitations. In fact, it transforms space and time. It has involved trading, conquering, and competing all over the world over along time.

The historian Bentley (as ultimately cited in Kale, 2004) has suggested a periodization of globalization, identifying some notable turning points in its history, starting from the migration of *Homo erectus* from Africa 500,000 to 1 million years ago and taking us down to the establishment of sea lanes in the Indian Ocean around 500 B.C.E. For our purpose, we are interested in contemporary, capitalist or corporate globalization. It started as the triumph of neoliberal capitalist around the time of the collapse of the USSR with its socialism and communism in 1989, which left capitalism and its democracy as the unrivalled economic and political system in the world. The foundational ideology of contemporary globalization is constituted by the so-called "Washington Consensus".

The usual dimensions of the business environment are the political, economic, social, and technological (PEST) spheres. It may be useful to conceptualize globalization in terms of scaling up of the political, economic, and social spheres to the level of globality, which is beyond the territorial and spatial boundaries of nation-states. This suggests boundrylessness or fluidity in spatio-temporality (see Castree, 2009). The fourth component, technology, accelerates the scaling up process. As such, it makes sense to speak of economic globalization, political globalization, or social globalization (Goldstein-Gidoni, 2005; Harvey, 2007). Then the 'politically independent' nation-states are scaled down or atomized in comparison with the new suprastate.

Technology and globalization

From the technological perspective, the dominant characteristic of globalization would appear to be that it is a flow system. In this conceptualization, the global society has been constructed as a flow society (Hautakangas and Akoski, 2004) in which compartmentalizing boundaries or barriers have been removed.

Deconstructed, it consists of unhindered information and communication flows, knowledge flows, capital flows, military flows, goods and services flows, ideological flows, propaganda flows, power flows, shock flows, and people flows (tourists, refugees, and illegal immigrants). These can be deciphered from a close reading of, for example, Friedman (2007), and Sakellaropoulos (2009).

Part of the ambiguity about globalization is that however it is defined, contradictions inevitably surface. For example, integration is at odds with delinking or discarding (Gibson, 2004; Kaplinsky, 1984:76-79; Maxted, 2002; Samir Amin as cited in Madeley, 1996:139-140). Thus, while we lean on hyperglobalization as a frame of reference, we find ourselves aligning with the sceptics in their sense of agnosticsm with the concept. From a theoretical point of view, Sakellaropoulos (2009) goes ahead to brand globalization as an ideological notion suggesting a reality (no camp rejects it) that is substantially at odds with its literal meaning.

Globalization and Competition

In this section, we relate the roles of power relations of capitalism and technology in shaping competition in the era of globalization. We first discuss how power relations forge competitive frameworks.

Power Relations and Competition: How does globalization bring about competition? The power behind globalization is capitalism. One explanation of the present competitive position of Nigeria in the global setting is the asymmetric power relations between Nigeria and centres of capitalism. Gibson (2004) suggests that "from its birth, capitalism has been a globalizing system, and political power has been employed to gain advantage, exploit inequalities, and crush competition. The terms of trade...have always been underpinned by military power". Thus, Archibald (2009) asserts that any credible account of globalization must consider increased competition.

In the same vein, Luxemburg (as cited in Munck, 2009) stated that, in previous phases of capitalism, the core centre of capitalism made primitive accumulation by using political violence, force, fraud, and oppression to loot the periphery without any attempt at concealment. Munck (2009) sees a continuation of this process in the current globalization which Harvey (2004) described as "accumulation by dispossession." This is also echoed in Banerjee (2008) when he stated that "Colonial expansionist practices of the British empire in the 1800s involved both capital appropriation and permanent (italicized here for emphasis) destruction of manufacturing capacities in the colonies".

The third world had been weakened during the colonial era through conquest and exploitation and remains weak. As such, we depart from Massamba et al. (2004) to suggest that the third world faces the new globalization from a weakened position. This can be seen from the interplay of the world economic crisis of late 1970s to early 1980s and the orchestration of the debt crisis of the developing countries. The tough conditionalities attached to the IMF loans to the developing countries, which they accepted, attest to this weakness of the developing countries vis-à-vis the centres of capitalist globalization.

As with the Latin American governments (Mahon as quoted in Carranza, 2005), the IMF and World Bank also forced Nigeria to accept the structural adjustment programme as a condition for restructuring its foreign debts (Omorodion, 2007). By the desocialization process, the educational system needed for developing entrepreneurial skills and competencies in Nigeria have been weakened by the globalization forces, such as privatization and commercialization of social services (see Harris and Lockwood, 1997; see Mahdavi, 2002).

The Role of Technology: Competitive pressures are easy to see if globalization is seen together with the creation of a global economy and global village through the facility of globalizing information and communication technology and the liberalization and deregulation of the global economy.

All national (domestic) markets are accessible through the digitalized, web-based, marketspace (created in cyberspace as distinguished from marketplace located geophysically) in the compressed distances of the virtual global market economy (Kotler, 2003; 10) or be reached through satellite broadcasting and cable televising. Thus, foreign business enterprises are equidistant from local SMEs as measured from the point of a mouse click. As such, they can access or reach any country's domestic market in the global economy just by mouse clicks and saturate the 'domestic' business environment with competitors and competition. The Internet enables marketers to make "cluster bomb" presentation of goods and services globally with multimedia advantage, combining information and entertainment at virtually no cost (Tan and Chia, 2007).

The World Wide Web (www) consisting of networked computers (linked by servers and modems) is an example of the B-Web "boundryless" structure. The IT infrastructure enables capitalism to move electronically; that is, covering great distances in split seconds by time-space compression (Gibson, 2004) or despatialisation of economic activities (Kwick, 2005) for accessing markets unencumbered by spatio-temporal limitations of the environment; and move from market segmentation to market fragmentation (Kim et al., 2004).

Another way of perceiving competitive pressures under globalization is in terms of the increasing interconnectedness of national economies (Stoner et al., 1995: 439). It suggests that more interactions occur as the relational space among people is collapsed. Thus, more market players, and more products/services are introduced into the market, which creates more competition in the compressed space.

Modes of Competition

Salient non-price factors in global competition that are relevant to the competitiveness of SMEs in Nigeria are: unfair competition through dumping on the Nigerian market, asymmetrical competition from TNCs, limiting access for SMEs to markets in industrial countries, and knowledge and technological imbalances. These are elaborated below starting with unfair competition.

Unfair Competition

Dumping is a prime example of unfair competitive practices. Developed countries subsidize their local producers, which enable them to sell their products to developing countries at prices below their cost of production. But the International Monetary Fund and the World Bank (neoliberal institutions) "advised" Nigeria to stop subsidizing social services (healthcare, education) and petroleum products with ruinous impacts on the economy (Jike, 2004; see Mcbride and Mcnutt, 2007; Okunroumu, 2004; Bonat and Abdullahi, 1989 as cited in Omorodion, 2007). The ruinous impacts include long term competitive weakness.

In the sphere of agriculture, the Common Agricultural Policy (CAP) of the European Union (EU) taking a hefty 45 percent of its budget and the US Farm Bills are the instruments for unfair agricultural practices, which have ruined farmers in the developing countries (Helmut and Eberhard, 2004). And most SMEs are in the agricultural section. Liberalization permits inflow of all types of goods into the Nigerian domestic market and weakening the demand for locally made goods (Akinbogun, 2008). As the Manufacturers Association of Nigeria (MAN) opine (see report in Ukoko, 2004), there is a proliferation of fake and substandard, imported (actually, smuggled or dumped) goods in the market competing with also low quality locally-produced goods. But the imported goods are cheaper. These dumped goods pose threat to SMEs, namely survival hostility, price hostility, and quality hostility [Nigerian Bank for Commerce and Industry, 2001: 183-186; Jike, 2004; Ogalana, 2004; Okunroumu, 2004; Akinbogun, 2008; Bell, 2009].

The China threat is a major challenge to competitiveness of Nigerian SMEs. The 'China threat' comes from its large number of Export Processing Zones (EPZs). The operation of the EPZs is described in Gibson [2004]. In brief, the EPZs are finishing shops, where product parts are assembled involving labour-intensive processes. They are sites for TNCs, which set up shops in countries that offer very liberal incentives. These include tax freedom, guaranteed supply of cheap labour, complete autonomy, and provision of denationalized spaces.

State executives are expected to be and play roles equivalent to being "country managers" of TNCs to make their country attractive by moving its perception, if not the reality, from a state of low to high attractiveness. The re-branding Nigeria project fits well into this scenario, as the Nigerian state appears determined to work hard to improve its battered image at home and abroad (compare Hodge and Coronado, 2006) and perhaps move the country to the EPZ quadrant.

For assessing the attractiveness of a country for purposes EPZ operations, the attractiveness grid can be envisaged as consisting of two dimensions; a "skills" dimension and a "wages" dimension. The "skills" variable is on the horizontal axis measured on a low-high continuum and "wages" on the vertical axis and also measured on a bipolar low-high continuum. The set of four possible outcomes is quadranted in the figure below. The first quadrant from the origin is the coordinate, (x_1, y_1) = (low skills, low wages). The second quadrant is the coordinate, (x_1, y_2) = (low skills, high wages). The third quadrant is the coordinate, (x_2, y_1) = (high skills, low wages). Finally, the fourth quadrant is the coordinate, (x_2, y_2) = (high skills, high wages).

Wages (Y)	Low	Skills (X) High
High	(Low Skills, High Wages) Q2	(High Skills, High Wages) Q4
Low	(Low Skills, Low Wages) Q1	(High Skills, Low Wages) Q3

Country Attractiveness Grid
Source: Authors' conceptualization

For obvious reasons, the EPZ quadrant is the first quadrant with the coordinate, "(low skills, low wages)". With liberalization and deregulation of all economies of the world, the goods produced at rock bottom costs in the EPZ locations can be exported for free to any country in the global market and undermine the competitiveness of local firms in the economy. Gibson (2004) called this practice a cruel underbelly of capitalist or corporate globalization.

The China threat is merely a reference to the fact that China has the largest number of such EPZs. Mexico hosts the second biggest concentration of these zones in the world.

With regard to competition, the worry is that these same incentives are not available to local SMEs. In Nigeria, For example, the Manufacturers Association of Nigeria (MAN) (2004) reported that, despite government efforts to give the manufacturing sector some relief, it continued to experience: inaccessibility to funds, which can boost their production capacity; infrastructure deficiency, especially, dearth of power supply and good road network; *multiplicity of taxes and levies*; low patronage for made-in-Nigeria goods; unsatisfying results of the National Poverty Eradication Programme (NAPEP); continual depreciation of the Naira; and insecurity of life and property.

A new kind of unfair competition is a subtle de-industrialization of developing countries through alienation of state-owned industries, which are acquired by core investors who usually are foreigners from industrialized countries. The companies are alienated through privatization because they are loss-making firms (Majumdar, 2008). Currently, the big five banks (Afribank, Oceanic Bank, Intercontinental Bank, Union Bank, and Bank PHB) axed by the CBN are at the brink of being sold to who knows who will buy them. And as Koster and Rai (2007) point out, these developing countries missed manufacturing industrialization. Even the few they have are technically wrenched from them. Yet until very recently, European governments used golden shares to block selling of national companies to foreigners (see Miller, 2002).

Asymmetrical Competition

As Begg et al. (2003:122) have observed, the competition from transnational corporations is even more devastating. *First*, it reduces entry barriers in a particular country because a multinational enterprise can survive with a small market share in the country while enjoying economies of scale in other countries and successfully selling globally. *Second*, as a result, domestic small firms that benefit from protective shelters face *intense* international competition, which threatens their survival. This constitutes *survival hostility*. *Third*, their low-cost production enables them implement low-cost competition and initially drive down prices and profit margins, which drives out higher-cost domestic firms. This constitutes *price hostility* (See also Bradley et al., 2003 for ability of TNCs in leveraging economies of scale in retail business).

Usually, it is the subsidiary of a TNC, which is operating in a particular local environment that competes with the subsidiaries of other TNCs and local firms. But the local subsidiaries have better access to funds than local firms. For example, the subsidiary of a TNC can obtain funds from the parent company and also access cheap funds from a capital market in another country and invest them in its local environment which may have a higher cost of capital. Local firms do not have this opportunity. As such, they become stuck and constrained to source funds from its immediate local business environment irrespective of the cost whatsoever. In connection with this, Brock (2000) states that, Multinational subsidiaries undertake dual roles: as cogs in the wheels of their parent organizations, and as competitors in local markets. Today, multinational subsidiaries are the contemporary gladiators of the competitive environment. Competing among themselves and with local firms, they attempt to bring global resources to bear in diverse international arenas (as cited in Brock and Siscovick, 2007).

These subsidiaries can run into hundreds even for one TNC. The developments in the global business environment, such as the modularization of production and flexible, cost-effective manufacturing, are leading to the breaking up of large scale enterprises into smaller firms as well as mergers and acquisitions leading to the creation of even larger enterprises. The tendency towards creating smaller firms is to enable firms to respond rapidly to differentiated customer demands, which has intensified competition in the global economy (Loveman and Sengebenger as cited in Walsh, 1997; Kelvin, 1999).

In the new global order or setting, the small, dependent countries of the developing world are not expected to enter into manufacturing competition in the global market arena but are to constitute resources or play the role of being markets for TNCs as they compete one with another. The theoretical or ideological backing for this scenario is Porter's theory of competition among nations, as propounded in his influential book entitled, *Competitive Advantage of Nations,* which was published in 1998 (Hodge and Coronado, 2006).

By the ethos of sustainable competition, advanced countries act to create sustainable competitive advantage to remain ahead while holding down, discouraging, undermining or retarding developing countries. For example, the rhetoric in the 1970s was capital-led development, which worked African countries into a debt crisis. In the 1980s, it was the structural adjustment, which moved African countries from crisis to tragedy. As such, they lack the capacity to compete economically (Leys, 1994 as cited in Gibson, 2004; Stren and Halfani, 2001 as cited in Gibson, 2004). Governments of the developing world were discouraged from participating in direct economic activities, as their participation, in many cases, provided the only credible competition to, and crowded out, FDI activities (Blanton and Blanton, 2006). Then developing countries are consigned to, and indeed, compete among themselves to offer the most attractive investment climate for TNCs in a "race to the bottom". This involves moving the economy to the EPZ quadrant. China is admired and feared by other developing countries in this regard [Moore, 2008]. This is what we earlier referred to as the "China threat", which partly reflects it characterization as a "networked dragon" and partly its aggressive attraction of FDI and contract manufacturing in the race to the bottom. But it faces the grim reality of a hollow or, at least, a highly fragmented industrialization in which it controls less of its own production than its developing-country predecessors in East Asia (Moore, 2008).

Limiting Access to Markets in Industrial Countries

Post-industrial North countries are increasingly trading exclusively among themselves (Stren and Halfani, 2001 as cited in Gibson, 2004). Of the limited trade with the developing countries, they impose higher tariffs on processed goods than on primary commodities from developing countries. In this way, industrial countries stifle the growth of processing and manufacturing industries in the developing countries. This perpetuates a frozen international division of labour where third world countries are assigned to produce primary products for the advanced countries (Madeley, 1996:139-140; Kaplinsky, 1984:76-79). Yet, the primary commodities are perishable and often glut the market when third world countries respond to performance incentives.

Another dimension of limited market accessibility, in Samir Amin's view, is "passive delinking" of the South from the North, as its technological developments make it require fewer raw materials from the South (Madeley, 1996: 17, 87). The development of synthetic materials exemplifies this delinking process.

It was partly to alleviate these that the US enacted the African Growth and Opportunity Act (AGOA), particularly in textile trade during President Bill Clinton's administration. Whether Nigerian SMEs were able to take advantage of the opportunity is another matter. There are indications, however, that Asian textile companies set up shop in Africa and exploited the AGOA opportunities.

Technological and Knowledge Imbalances

The continuing competitive weakness we referred to above is fundamentally a technological weakness; a fact which weighed down even the most politically radical founding leaders of Africa such as Kwame Nkrumah of Ghana and Gamel Abdel Nasser of Egypt (Dunayevskaya, 1973 as cited in Gibson, 2007). Technological and knowledge imbalances favour the developed countries. Together, these have fed productivity gains, and lower unit cost of production in the developed countries. The same cannot be said of producers in Nigeria.

The competitive advantage of the developing countries generally, in the sphere of production, is their low labour cost and cheap raw materials. Already, these have been eroded by means of advanced technology (Gibson, 2004). The developed countries are aggressively undermining labour cost comparative advantage by means of campaigns against "sweatshop" under the guise of checking "child-labour abuses". Yet, TNCs are practicing the feminization of the labour force and sweatshop conditions in the global arena. This is most pronounced in the export processing zones. On account of these unfair practices, developing countries feel justified in protecting their "infant industries" behind tariff walls (Obadan, 2004; Ogalana; 2004).

The competitive *dis*advantage of Nigeria and the third world countries in general boils down to technology, which is the dominant source of power. In negotiations at the WTO or regional-bilateral trade pacts, third world countries do so under serious disadvantage or from a position of weakness; this, has been the case from historical times (Toffler, 1980: 95-101). For example, the developmental space of latecomers in the international economic order has been constrained through diminished use of industrial development instruments that Japan and the South East Asian countries used successfully to develop in the second half of the 20th century. Even the developed countries made use of intellectual resources unrestricted or unencumbered with rents and policy instruments to achieve development. These include local content policy, intellectual property rights, investment regulations, and trade in services. There is a growing 'proliferation of international market-opening' but 'technology-rent-protecting regulations' [Morrissey and Baker, 2003; Wade (2003) as cited in Moore, 2008].

Morrissey and Baker (2003) particularly pointed out that the US did not respect intellectual property (foreign patents and copyrights) until the later part of the 19th century. Besides, these patents and copyrights are used to create state-protected monopolies to extract arbitrary and supernormal rents from the developing countries (Evans, 2008). The new competition is underwritten by technology per se. Yet our technology is still crude and largely undeveloped.

Where do SMEs in Nigeria stand in relation to the background issues of power politics and economics; particularly with respect to corporate dimensions of globalization? In other words, what is the competitive strength of SMEs in Nigeria? In the next section, we paint a vivid picture of SMEs in Nigeria. We also add their general characteristics.

Nature of Nigerian SMEs

In Nigeria, the definition of SMEs has been changing (National Association of Small and Medium Enterprises, 2001: 148-148). The National Council on Industry defines SMEs as firms employing between 11 and 101 persons (Minister of Industry, 2001: 127-129).

Lal (2007) examined SMEs in Nigeria and found that they have small capital investment, low profit margins, few management staff, and small size. Thus, he concluded that they cannot, on their own, provide the technical and support services they require to operate successfully.

Generally, small firms also lack marketing experience (Davis et al. as cited in Spillan and Ziemnowicz, 2003; Ssendi and Anderson, 2009); are under-specialized; have restrictive credit policies, ineffective and inflexible pricing strategies, an inability to hire marketing specialists; and make ineffective hand-to-mouth policies (Weinrauch as cited in Spillan and Ziemnowicz, 2003). They prefer experiential to abstract learning, doing to managing; are emotional, and intuitive (Dyer and Ross, 2007).

They operate informally, have poor record-keeping practices, and have difficulty accessing bank loans; are flexible, agile, and gazelle-like (Bates et al., 2007). The informality permits them to operate with flexibility in a *complex and turbulent business environment* because it enables firms to *respond quickly and creatively* to new situations (Meznar and Johnson [Jr], 2005).

In view of these inherent weaknesses, how have SMEs coped in other parts of the world? They strategically network with one another and with TNCs. In the latter case, they do so by being local content suppliers. The state plays a major role in enforcing subcontracting relationships. We can be informed by looking briefly at what other developing countries have done. These countries include Brazil, South Korea, China and South Africa.

Brazil, in particular, provides a good example of a developing country, which pays *close and careful attention* to the growth requirements of its SMEs. Specific measures employed in Brazil include developing a culture of entrepreneurship and entrepreneurial success; promoting the diffusion of training programmes which are funded by the public sector, and providing *lifelong learning opportunities* (Obadan and Agba, 2006).

South Korea is an Asian 'Tigers' country exemplary in operating a vibrant SME sector (Obadan and Agba, 2006). Among the policy measures to encourage the development of SMEs in South Korea are policies for (i) *assisting SMEs to adapt to the changing economy*; (ii) stabilizing and strengthening the management of SMEs, and (iii) stimulating and assisting start-ups and local SMEs. Measures to implement these policies include financial and credit guarantees, tax concessions, protection of subcontracting relationships with large scale enterprises (corporations), building industrial estates, and providing technical and managerial assistance to SMEs. As a result of these policies and measures, SMEs are able to contribute substantially to the economy in terms of employment, exports, and incomes.

What has been the response of the Nigerian nation state to this new competitive challenge? The state has major role in creating performance enabling environment, given that only the state can, for example, establish the rule of law, provide law and order (security) through its monopoly of violence (Harvey, 2007), enforce contracts, provide education and health care services which are *accessible to most citizens*, provide correctives for market failure and an enabler of growth in the era of globalization (El-Mefleh, 2005; Intarakumnerd, 2005; Meyer-Stamer, 1997; White, 1984:100). This question is answered in the next section.

Creating Competitive Capability

In this section, we examine the nature of the local environment condition as it either supports or enables local SMEs to compete in the global economy or not. This has to do with enabling policies, infrastructure, and other services. We take our bearing from an organizational embeddedness perspective, that is, the venture's rootedness in obtaining sustenance from, and enduring constraints in, the 'soil' that is the social (business environment) context (Brandl and Bullinger, 2009; Yang, 2004).

We begin our analysis from the time of the Structural Adjustment Programme, as this period effectively marks the beginning of the implementation of neoliberal economic policies in Nigeria.

During this period (1986 circa 2000), the Nigerian federal government created cooperative societies, introduced the Industrial Policy of Nigeria, and the Agricultural Policy of Nigeria both of which were aimed at encouraging the development of SMEs, and the introduction of an entrepreneurship course to undergraduates studying management sciences in the nation's universities (Chinelo-Nzelibe, 1996: V; Nigeria Federal Ministry of Agriculture, Water Resources and Rural Development, 1988: 15-18; Nigeria Federal Ministry of Industries, 1988: 10-11; Nnanna, 2006; Osuntogun and Adeyemo, 1986).

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was another effort to encourage and develop SMEs. Its core programmes are (i) sourcing and providing business information, (ii) designing and establishing business support centres (BSCs) and industrial parks (Ips), (iii) capacity building and promotion services, and (iv) developing policy on micro, small, and mediem scale enterprises (MSMEs) for improvements in policy intervention (SMEDAN, 2004).

Other developments from 2001 to the time of this study included the (i) reformulation (revision) and implementation of the Industrial Policy of Nigeria and the implementation of the National Economic Empowerment and Development Strategy (NEEDS), and the banking system reform (consolidation of banks) in 2006 (Honourable Minister of Industry, 2004: xi-xvi; Federal Ministry of Information & National Orientation, Undated; Nnanna, 2006). These policy packages were designed to benefit business, including SMEs.

Funding is another area of support for SMEs from government. Funding programmes included the following: (i) the National Economic Reconstruction Fund (NERFUND) which was set up in 1989 to provide medium and long term loans to SMEs; (ii) the Small and Medium Enterprises Apex Unit Loan Scheme (SME-AULS) started in 1990 with a loan from the World Bank for on-lending to SMEs; (iii) directives to banks through the Central Bank of Nigeria to lend to SMEs; (iv) setting up specialized banks for the funding of SMEs such as the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) and the Bank of Industry (BOI); (v) the Small and Medium Industries Equity Investment Scheme (SMIEIS) introduced in 2001 to fund SMEs on equity participation basis, (vi) rural banking scheme and (vii) use of sectoral allocation of credit by banks (Central Bank of Nigeria, 2002-2003:16; Central Bank of Nigeria Research Department, 1995; Uche, 2000).

It appears that these measures have made little or no impact on the competitive capability or performance of SMEs (Moruku, 2010). SMEs in his study perceived market hostility in the areas of price, quality, and survivability. This suggested that SMEs in Nigeria experienced declining accessibility to the global market (the so-called domestic market is now an integral part of the global market), as they were out-competed mainly in prices and, to a less extent, product quality. It means that if SMEs respond to the efforts or motivations to employ and produce more, then there would be little room in the market to absorb their products, giving rise to costly inventory build-up.

This can be seen from the disabling *turbulence* or volatility in the education system (indicated by frequent and prolonged closure of universities); *declining capacity* in terms of weakening or collapsed infrastructure and weakening human capital development; *closing accessibility* to capital; *receding light* in terms of declining public power supply, and *worsening endemic corruption* and misallocation of resources all of which increase the cost of doing business and a threat to the survival of SMEs (Akinbogun, 2008; Anyanwu et al., 2003; Central Bank of Nigeria, 2003:174 and 2003b: 20; Manufacturers Association of Nigeria, 2004; Office of the Honourable Minister, Economic Matters, 2002: 19-20; Ogujiuba et al., 2004; Umukoro, 2009).

The *receding light* in Nigeria stands in stark contrast with the cases in Egypt, Ghana, and South Africa, all in Africa, who have overcome the problem of generating and supplying electricity to its citizens and industries. This poor showing in public power supply and its impact on the industrial sector can be seen in perspective when it is realized that regular public power (electricity) supply is the backbone of industrial manufacturing; public power supply is the most convenient energy for powering industrial machines [Akinbogun, 2008].

As suggested earlier, the poor supply of electricity increases the cost of doing business and a threat to the survival of SMEs. This has proved to be the case with SMEs (in the ceramic industry in the South Western Nigeria) which have collapsed in large numbers. Those still existing are operating below installed capacity and dying (Akinbogun, 2008), indeed, experiencing a traumatic slow and excruciating death with a possible domino effect as they pull down related firms as creditors and suppliers.

Conclusion

The specific objectives of this paper were to seek answers to three questions. First, does globalization create or accentuate competition? Second, what is the impact, if any, on SMEs in Nigeria? Third, what efforts have been made to cope with the competitive onslaught of globalization?

It was found that capitalist globalization has been accompanied with hypercompetition. This has been accentuated by the collapse of the relational space; increased complexity in terms of issues, variables, and interactions; number of products, services, and processes; number of competitors, and similar. Technology, particularly, information and communication technology (through the World Wide Web) has played a despatializing role, collapsing the relational space.

Second, it was found that the drive towards sustainable competitive advantage by multinational enterprises and centres of capitalism was sought through creating technological and knowledge imbalances, use of unfair competitive practices (such as dumping); holding down, discouraging, and undermining or retarding developing countries, including Nigeria.

Third and finally, it was found that, against the above factors of lopsided competition, the Nigerian business environment does not provide enabling circumstances to nurture local competitive response (strategy). This can be seen from the *turbulence* or volatility in the education system; *declining capacity* in terms of weakening or collapsed infrastructure and weakening capacity in human capital development; *closing accessibility* to capital; *receding light* in terms of declining public power supply, and *worsening endemic corruption* and misallocation of resources all of which increase the cost of doing business and a threat to the survival of SMEs.

The state should live up to its assignment as *enabler of performance* in the era of globalization. In particular, it should prioritize market development for SMEs. This involves more than negotiating access to the market. Negotiating market access is definitely crucial. But much more than that, market development involves, in addition, *strategically adapting the entire economy to achieve competitiveness in the global market*: (i) the quality and adequacy of social and physical infrastructures (education, healthcare, communications, power supply, and transportation), (ii) institutional capability (Ajayi, 2003), and (iii) entrepreneurship development. Most importantly, *the state should invest unstintingly in human capital development as service to the entrepreneurial system.*

The state should also fine-tune the implementation of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) funding initiative, as the situation where SMEs cannot, metaphorically, have a drink while swimming in an ocean of undisbursed funds is unfortunate.

The state's policy in these areas will constitute prime movership, as firms cannot be competitive on their own without support from the state (Meyer-Stamer, 1997); this being the case, more so, because the state is now assigned an *enabler of performance* and entrepreneurs assigned investors and managers.

This study contributed to the literature by providing a contextual or nuanced understanding of SMEs and entrepreneurship in the Nigerian business environment in the context of globalization, as represented in the findings of the study. As Locke (2007) stated, there is nothing like omniscience such that one is all-knowing but one can make knowledge claims on the basis of what is known about a specific context. This contextual knowledge is crucially important for understanding and explaining the nuances respecting why, *competitively*, entrepreneurs have done well or not in the Nigerian business environment, which is a step towards creating local-relevant knowledge for solving local problems and acquiring indigenous technological capabilities and power (see Han et al., 2009). Future studies should examine the internal management capabilities of SMEs in Nigeria. It is plausible that no action of the state can yield positive results if local SMEs do not have the capacity to convert the opportunities to performance benefits.

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