

# Chapter 39

## SMEs in Nigeria: Exploring Coopetition

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### **ABSTRACT**

*Research in the area of small and medium sized enterprises (SMEs) and coopetition has been ongoing for a considerable length of time. However, such studies have focused on SMEs in developed countries while there is very limited research in the same area with a focus on SMEs in Africa and developing countries. This research therefore aims to explore possible benefits and barriers that SMEs in Nigeria would experience in the adoption of coopetition. Considering the fact that it is a relatively new area of research, existing theories examining similar fields of study will be analysed with the aim of generating a theoretical framework through which factors affecting the phenomenon in the country may emerge.*

### **INTRODUCTION**

Small and medium-sized enterprises (SMEs) contribute enormously to the economy of developed and developing countries alike. According to the International trade Centre (ITC, 2015), globally, SMEs make up over 95% of all firms, account for approximately 50% of GDP and 60% - 70% of total employment, when both formal and informal SMEs are taken into account. This amounts to between 420 million and 510 million SMEs, 310 million of which are in emerging markets. In Europe, according to the European Commission (2015), they are the backbone of the economy. SMEs represent 99% of all businesses in the EU and they have created around 85% of new jobs in the past five years. They have also provided two-thirds of the total private sector in the EU and are considered key to ensuring economic growth, innovation, job creation, and social integration in the EU (European Commission, 2012). Whilst there is no doubt about the contribution of SMEs to the economy of different countries, they are very likely to lack support in terms of finances, government policy and infrastructure particularly where SMEs in developing countries are concerned.

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## ***SMEs in Nigeria***

In spite of the many benefits that they provide to the economy, there are many challenges facing SMES in developing countries. In Nigeria, such challenges include the lack of government funding, inadequate infrastructure and unstable power supply. Financial constraints, management problems, lack of capital and the lack of support from financial institutions and government development agencies are issues that have also been cited as major hindrances to small business development in Nigeria (Okpara, 2011). Various studies have described Information and Communications technology (ICT) as an enabler that can aid growth and development (Hanna, 2003; Marker, McNamara & Wallace, 2002; Maier & Nair-Reichert, 2007). However, SMEs in the country are yet to take full advantage of these possibilities for various reasons. For example, a lack of power as well as the lack of skills have been identified as the two major barriers deterring the adoption of ICT amongst non-adopters in the region (Apulu, Latham & Moreton, 2011).

Additionally, SMEs in such countries unfortunately sometimes have the challenge of not being supported by government policy. For example, Okpara (2011) states that there is an inhibitive policy framework in Nigeria that discourages entrepreneurs from seeking funds to start up new or expand existing business. As a result, they have to find other means to ensure that they stay afloat. One of the ways they can achieve this is by engaging in cooptation. Cooptation, according to Levy, Loebbecke and Powell (2003) involves sharing knowledge that may be a key source of competitive advantage even though the knowledge gained by cooperation may also be used for competition. Small firms may be in a position to compete with larger firms in the area of cooptation, pooling resources to ensure that they sustain competitiveness and survive.

Recent research suggests that cooptation adds immense value to SMEs by reducing costs, improving access to research and development, and improving the innovativeness of SMEs. This research therefore aims to explore possible benefits and barriers that SMEs in Nigeria would experience in the adoption of cooptation. Considering the fact that it is a relatively recent area of research, existing theories covering similar fields of study will be examined with the aim of generating a theoretical framework through which factors affecting the phenomenon in the country may emerge.

This chapter begins by examining cooptation and considers what may make it a favourable alternative to current business practices of SMEs in Nigeria. The next section examines current literature and the context for this study. The following session analyses the issues, controversies and problems that may be experienced with cooptation. A framework that may help to resolve the issues is identified in the next session. The future research directions are then discussed in the next and finally, the conclusion of the study is presented.

## **LITERATURE REVIEW**

### **SMEs and Cooptation**

#### **SME Definition**

There are varying descriptions of what an SME is. The description of the term usually differs depending upon a combination of factors such as country, geographic region, level of development and business culture. Another reason why a general definition might be difficult is because SME definitions are sometimes linked to national support programmes and other regulations (ITC, 2015). In Europe, according

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