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## A Review of Entrepreneurship Development in Japan, South Africa and Malaysia: Lessons for Nigeria

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### **Abstract:**

*The paper underscored the relevance of entrepreneurship development in the transformation of Nigeria with lessons from Japan, South Africa and Malaysia. The paper discussed the role of entrepreneurship in the economic development of Japan, South Africa and Malaysia with a view to promoting entrepreneurship development in Nigeria. Descriptive research design was employed in the methodology. The paper revealed that entrepreneurship remained the engine of transformation in Japan, South Africa and Malaysia. However, lack of genuine enabling environment had been the major challenge inhibiting the growth and development of entrepreneurship in Nigeria. It concluded that entrepreneurship is an indispensable tool for any meaningful transformation in Nigeria. Hard work, discipline and initiative are highly essential for entrepreneurship development in Nigeria and Africa in general. The paper therefore recommended that Nigerians should emulate countries like Japan, South Africa and Malaysia by adopting their superior and enviable strategies. All hands must be on deck with Government championing the course in providing enabling environment for sustainable economic development in Nigeria.*

**Keywords:** Entrepreneurship development, Japan, Malaysia, South Africa, Nigeria

### **1. Introduction**

One of the goals of economic development strategies pursued by many countries of the world has been improvement in the standard of living through job creation. Entrepreneurship development is no doubt a vital tool in fostering job creation. Entrepreneurs orchestrate transformations and create new channels for economic activity and employment. Petrin (1994) emphasized that for countries to accelerate economic development in their rural areas, it is necessary to build up the critical mass of first generation entrepreneurs. Thus, all countries that wish to pursue continued development must encourage entrepreneurship.

Entrepreneurship is the mainstay of economic growth in global markets. According to the Global Entrepreneurship Monitor Report (2000), about 70 percent of an area's economic performance and well being is dependent upon how entrepreneurial the area's economy is. Petrin (1994) affirmed that development is now being linked more and more to entrepreneurship.

It is easier to see how important entrepreneurship is to the success of a country when you examine all the factors needed for prosperity. The factors of production are the resources businesses use to create wealth. Nickels, McHugh and McHugh (2002) identified five major factors of production as: (1). Land (and other natural resources), (2). Labour (workers) (3). Capital (e.g. machines, tools, and buildings), (4). Entrepreneurship (5). Knowledge (necessary for knowledge-oriented jobs). They emphasized that to become as rich as Bill Gates and other billionaires, one will have to become an entrepreneur.

In the analysis of the differences between rich countries versus poor countries in the level of wealth, one would look at the factors of production in each country. Such analyses have revealed that some relatively poor countries often have plenty of land and natural resources. Nigeria and many African countries have vast areas of land with many natural resources but are classified as poor and undeveloped countries. In contrast, Japan for instance, is a relatively rich country but is poor in land and other natural resources. This implies that land and natural resources are not the critical elements for wealth creation.

Nickels and associates noted that most poor countries have many labourers, so it is not labour that is the primary source of wealth today. Labourers need to find work to make a contribution. They need entrepreneurs to provide jobs for them. Furthermore, capital (money) for machinery and tools is now becoming available in world market, implying that capital is not the missing ingredient.

Capital cannot be productive without entrepreneurs to put to use the capital. Information technology (knowledge) has revolutionised business, making it possible to quickly determine wants and needs and to respond with desired goods and services.

This paper agrees with the above views that what makes rich countries rich today is a combination of entrepreneurship and effective use of knowledge. Thus, all the resources in the world have little value unless entrepreneurs are willing to take the risk of starting business to use those resources.

## 2. Statement of the Problem

For over 54 years of independence, Nigeria had remained undeveloped despite her rich and abundant natural, human and material resources. The Human Development Index (HDI) used to distinguish whether a country is developed, developing or underdeveloped classified countries into four broad human development categories: Very High Human Development, High Human Development, Medium Human Development and Low Human Development. In this classification, Japan has very high human development; Malaysia has high human development; South Africa has medium human development (among the highest ten in Africa); while Nigeria has low human development. The United Nations Development Programme (UNDP) has stated that Nigeria is not one of the African countries recording improvement in its human development index. Evidence is shown in the Human Development Index trend (2005-2013) below:

HDI RANK	Country	HDI value 2005	HDI value 2008	HDI value 2010	HDI value 2011	HDI value 2012	HDI value 2013
17	Japan	0.873	0.881	0.884	0.887	0.888	0.890
62	Malaysia	0.747	0.760	0.766	0.768	0.770	0.773
118	South Africa	0.638	0.648	0.651	0.652	0.656	0.660
152	Nigeria	0.466	0.483	0.492	0.496	0.500	0.504

Table 1: Human Development Index (HDI) Trends (2005 – 2013)

Source: United Nations Development Programme (2003) Human Development Reports <http://hdi.undp.org/en>

Despite challenges in South Africa, Japan and Malaysia, these countries remained highly committed and dedicated to the development of entrepreneurship which is also reflected in their higher Gross Domestic Product (GDP) and improved standard of living, hence, the above classification by HDI. It is a huge cause for concern that Nigeria had consistently been classified as country with low Human Capital Development. It is important to note that human development index is a comparative measure of life expectancy, literacy, education, standards of living, and quality of life for countries worldwide. It is used to distinguish whether the country is a developed, a developing or an underdeveloped country, and also to measure the impact of economic policies on quality of life. In addition, a comparative view of Legatum Prosperity ranking of Japan, Malaysia, South Africa and Nigeria based on 89 different variables analysed across many nations around the world revealed the following results:

Country	Ranking				
	2009	2010	2011	2012	2013
Japan	19	18	21	22	21
Malaysia	43	43	43	45	44
South Africa	67	66	69	74	77
Nigeria	103	106	104	123	123
Total number of country	110	110	110	142	142

Table 2: Legatum Prosperity Ranking (2009-2013)

Source: Legatum Prosperity Index (2013) [www.prosperity.com](http://www.prosperity.com)

Table 2 shows that for the five consecutive years of comparable data, Nigeria remained at the bottom (very far behind other countries). It is therefore the intent of this paper to examine policies and programmes adopted by South Africa, Japan and Malaysia for the benefit of Nigeria in particular and Sub-Saharan Africa in general.

## 3. Objective of the Study

1. To review the policies and programmes for entrepreneurship development in Japan, Malaysia and South Africa.
2. To examine the challenges of entrepreneurship development in Nigeria
3. To identify lessons that Nigeria can draw for its transformation.

## 4. Methodology

Basically, the paper adopted a theoretical approach. It made use of secondary data sources.

## 5. Conceptual Review

Generally, entrepreneurship has been associated with several activities concerned with the establishment and operations of business enterprise. In the views of Stoner, Freeman and Gilbert (2005) entrepreneurship has at least four social benefits: It fosters economic growth; it increases productivity; it creates new technologies, products and services and it changes and rejuvenates market competition. The implication of the above is that entrepreneurship provides people with means of livelihood, existence, self actualization, fulfillment, satisfaction and general well being. Kuratko and Hodgetts (2005) define entrepreneurship as a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity, or careers; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan and finally, the vision to recognize opportunity where others see chaos, contradictions and confusion. Wehrich and Koontz (2005) noted that the essence of entrepreneurship is innovation, that is, goal-oriented change to utilize the enterprise's potentials. In their views, innovation comes about because of some of the following situations:

- -An unexpected event, failure or success
- -An incongruity between what is assumed and what really is.
- -A process or task that needs improvement
- -Changes in the market or industry structure.
- -Changes in demographics
- -Changes in meaning or in the ways things are perceived.
- -Newly acquired knowledge

According to Jhingan (2006), whatever be the form of economic and political set up of the country, entrepreneurship is essential for the economic development. In a socialist state, the state is the entrepreneur, in advanced capitalist societies; private entrepreneurs have played the crucial role in economic development in their contribution to GDP, employment and overall manufacturing and service output. So is the case in developing countries where private entrepreneurship is shy in undertaking the risks associated with new ventures.

In line with the above, Hisrich, Peter and Shephard (2007) adduced that the role of entrepreneurship in economic development involves more than just increasing per capital output and income; it involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. According to them, entrepreneurs are known for their strong work values and aspiration, their long workdays and their dormant management style. Supporting the above, Ikon (2007) remarked that with the present global trend of liberalized economics, entrepreneurship is at the centre stage as both the driver and facilitator of economic development effort.

Supporting the above views, Ile (2003) noted that the entrepreneur is a keynote in most free enterprise economy. He discovers new ideas and business opportunities, brings together fund to establish a business, organizes the business and often manages its operations to provide economic goods and services for the public.

From the above, one can conclude that entrepreneurship is a necessary ingredient for stimulating growth and successful economic development.

## 6. Theoretical Framework

The study adopted utilitarianism theory. Utilitarianism seeks for the good of the greatest number. The utilitarianism was founded by Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873), (Badi and Badi, 2005). Government policies are usually formulated following utilitarian approach to (a) give benefits to the maximum number of people. (b) Consider collective interest as well as particular interests. (c) Formulate policies and rules to satisfy maximum number of people and (d) Estimate the cost and benefits of different alternatives on the affected groups.

## 7. Challenges of Entrepreneurship in Nigeria

The National Bureau of Statistics, in collaboration with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), conducted a survey report on micro small and medium enterprises (MSMEs) in the year 2010. The study provided a list of problems militating against development of enterprises in Nigeria as follows:

- (1) Lack of access to finance
- (2) Lack of work space
- (3) Weak infrastructure
- (4) Lack of entrepreneurial/vocational training
- (5) Obsolete equipment
- (6) Lack of access to research and development
- (7) Inconsistent policy
- (8) Transportation constraints
- (9) Lack of government support

From the above, finance seems to top all other challenges. According to Akpa (2007), an entrepreneur encounters difficulty in raising commercial bank credits due to the following circumstances:

1. He often cannot afford to present an acceptable security and in this regard is tagged “unbankable’ from the perspective of the risk he is taking to represent.
2. He is made to suffer some administrative delays in getting his loan application processed by the bank.
3. He is usually at the receiving end of unfavourable government policy.
4. He faces unduly high interest charges.
5. The fact that commercial banks generally lack interest in lending long does not help his case.
6. Commercial banks generally do not have confidence in some entrepreneurs’ managerial capability.

In the views of Ikon (2007), entrepreneurship is essentially a socio-economic phenomenon and it can be inhibited by the following factors:

1. A social system which denies opportunities for creative faculties.
2. Extreme inequalities in the distribution of income and wealth.
3. Lack of infrastructural facilities which add to the risk and uncertainty of new entrepreneurship.
4. Technological backwardness. This reduces output per man and products are of substandard quality.

A careful study of the above revealed that the development of entrepreneurship in Nigeria since independence has been persistently affected by poor funding, inadequate infrastructure, corruption, poor government support, low education and training and many more. Nigeria is ripe to take action by putting in place the necessary conditions that would help entrepreneurs compete favourably with their counterpart in other countries.

### **8. An Overview of Entrepreneurship Development in Japan**

The success of Japanese corporations both at home and abroad has stimulated a great deal of interest and enquiry about the reason for their success. In the past two decades, considerable attention has been given to the success of Japanese manufacturing industries (Cole, 2004).

One of the key factors for their success according to Ouchi in Cole (2004) has been their approach to management of resources, especially people. Hard work and discipline run through Japanese national life. Duty before self is a value ingrained in Japanese people.

Japan success in international world have been attributed to five element structure which are; capital, management, technology, an international network and the government. These are the pillars that support Japan as a major economic power.

Although Japanese economic development is primarily the product of private entrepreneurship, the government has directly contributed to the nation's prosperity. Its actions have helped initiate new industries, cushion the effects of economic depression, create a sound economic infrastructure, and protect the living standards of the citizenry. Cole (2004) summarised these successes as follows:

- 1) Funding: In Japan, there is less reliance on shareholders for funding of business. Banks play prominent role in provision of funds. The Ministry of Finance establishes low interest rates, thus reducing the cost of investment funds to corporations and promotes industrial expansion..
- 2) Strong adherence to company culture
- 3) The organisational structure of Japanese companies is:
  - a. hierarchical,
  - b. Dependent on group consensus which tends to reinforce feeling of loyalty and commitment from all concerned.
  - c. Decision making is shared at all levels.
  - d. The relationship between boss and subordinate is based on mutual respect and trust.
  - e. There is a strong sense of collective responsibility for the success of the organisation and cooperative effort rather than encouragement of individual achievement.
  - f. There is a lifelong employment prospect.
- 4) Meticulous attention is paid to production planning and quality issues. Ministry of Economy, Trade and Industry (METI) is responsible for the regulation of production and the distribution of goods and services, developing plans concerning the structure of Japanese industry.
- 5) Trade unions in Japan are company based and not occupationally based. The company based approach to trade union organisation reflects a unitary attitude towards employee relations. The primary aim is to achieve lifetime job security for its members and to ensure in collaboration with management, the success and efficacy of the company upon which every one depends.
 

Other success factors are:
- 6) Government-Business Relation: Japan has been defined as a country in which loyalty is more important than benevolence. Leadership stemmed from the government and authority in general, and business looked to government for guidance. These attitudes, coupled with the view of the nation as a family, allowed government to influence business, and businesses worked hard not only for their own profits but also for national well-being.
- 7) Management Approach: Despite the participative management style and emphasis on the importance of human resource element, Japanese adopted the scientific management ideas by Fredrick Taylor in achieving production effectiveness and efficiency. The acceptance of Taylorist approach to manufacturing has enabled Japan to capture an enviable place in the world markets for their manufactured goods.

In view of the above, Japan is in many ways a country which can be taken as a model by developing countries like Nigeria.

### 9. An Overview of Entrepreneurship in South Africa

South Africa presents a unique and very interesting picture in Sub-Saharan Africa. South Africa has a unique set of cultural circumstances attesting to a turbulent economic, unenviable historical and segregationist past due to the apartheid policy. The result is deep social divides that require innovative social solutions. Since its first democratically held elections in 1994, South African government has realized the important role of entrepreneurship in the development of South African economy. With high unemployment, deep social and class divides and a highly unequal society, the South African government realizes that in order to change the socio-economic landscape of the country it would have to support a concerted effort to develop entrepreneurship at the grass roots level and up (SSCG Research, 2013). This has resulted in a number of policy and structural developments to promote entrepreneurship, build capacity and ecosystems as well as foster entrepreneurial thinking starting at the educational level. As a result, South Africa currently has a growing entrepreneurial sector.

The government of South Africa has clearly stated that job creation is one of the critical objectives that every South Africa should strive to contribute towards. The belief in South Africa is that grassroots entrepreneurship development is -

- The key to achieving job creation and reducing the unemployment rate in the country and across the African continent.
- The primary way that will eliminate systemic poverty in South Africa and across the rest of the African continent.
- A vehicle to build an inclusive economy and equal opportunity for all.
- The only route to a successful Black Economic Empowerment strategy.
- The only way for service delivery into communities to improve and for every citizen to receive dignified services.

This commitment by government has led to a number of initiatives such as:

1. Policies to assist, support and develop small, micro and medium enterprises
2. The Department of Trade and Industry's Competitiveness Fund, providing financial assistance to entrepreneurs which could cover up to 50% of running costs
3. Junior Achievement South Africa, an organization which runs a number of programmes to encourage youth entrepreneurship, and
4. The National Youth Development Agency, which offers support to youth in finding resources for business and business development.

Other initiatives developed to encourage entrepreneurial thinking include:

1. The establishment of Further Training and Education institutions and technical colleges.
2. Adult Basic Education and Training facilities were also established to enable adults gain skills and basic educational training.
3. The RED Door Initiative which focus on developing entrepreneurship in specific provinces in order to support the specific needs of communities and areas.
4. The Community Entrepreneurship Development Program (CEDP) with the aim to bring world class entrepreneurship training, mentorship and business assistance to the disadvantaged areas and communities of Africa.

With the above initiatives, South Africa remains a frontier and market with great potential for entrepreneurship and job creation. Hence, the country is among the highest ten in Africa in the 2013 Human Development Index (HDI) and so can be taken as a model for Nigeria.

### 10. An Overview of Entrepreneurship in Malaysia

Malaysia has a vibrant entrepreneurial base with a huge potential to become a global player. Malaysia's entrepreneurial success stories are explained by its citizens' entrepreneurial spirit and determination. Basically, the flourishing of entrepreneurship is facilitated by a government that is always looking for ways to advance entrepreneurship through new policies. Obadan and Agba (2007) noted that the government of Malaysia is committed. Malaysia's relative high entrepreneurial spirit is reflected in its entrepreneurship and innovation rank by the Legatum Prosperity Index: 28th out of 104 economies. Similarly, the World Bank ranks the country 23rd out of 183 economies in the ease of doing business.

A report by the Mansfield Foundation mentioned the variety of supporting mechanisms that exist for entrepreneurs in Malaysia, including physical infrastructure, business advisory services and access to capital. (according to the World Bank, Malaysia is the top country in the ease of getting credit). Education and skills development have been made a priority, the funding landscape is being restructured to enhance funding, a Competition Act has been introduced to liberalize the economy and prevent monopolistic and anti-competitive actions by large corporations. The above is made possible through the creation of a 'New Economic Model' (NEM) for Malaysia where the Prime Minister has made entrepreneurship the key driver of the economy with special emphasis on innovation and the entrepreneurial drive of its citizens. In order to enhance technical capabilities among entrepreneurs, in line with the intended direction of the economy, the government created the Malaysian Technology Development Corporation (MTDC) which provides not only technical advice and premises, but also risk capital to promising ventures.

### 11. Discussion

Entrepreneurship and economic development are intimately related. No matter the challenges and type of economic and political set-up of any country, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities. Like

Japan, Malaysia and South Africa, Nigerians should not think of what the country can do for them but what they can do for their country.

Entrepreneurship development in Nigeria and Africa as a whole should therefore be the concern of the people, the organised public sector and government at all levels (federal, state and local government). When there is entrepreneurship development, job is created. Then, there will be increase in purchasing, market will be flooded with goods and services, inflation will reduce, employment will create wealth, poverty will be alleviated and there will be economic transformation of Sub Sahara Africa.

## 12. Conclusion

The major conclusion that can be drawn from this paper is that there can be no meaningful economic advancement and transformation in Nigerian without entrepreneurship development. Entrepreneurship development is adjudged to provide meaningful promises of sustainable economic growth and development of a country. A nation that develops and retains the most competent entrepreneurs will enjoy real competitive advantage over others that do not in this current globalised world economy.

## 13. Lessons for Nigeria –Policy Recommendations

Having reviewed the institutional framework of entrepreneurship in the above countries, we can now draw some useful lessons for the purpose of economic transformation of Nigeria. Our approach to management of resources especially people must improve for better economy. Concerted effort should be made to support entrepreneurship development at all levels especially the grass root level for the transformation of the socio-economic landscape of Nigeria. Nigerians should view their nation as a big family and businesses should look up to government for guidance. Hard work, discipline and duty are values that should be copied, developed and retained by Nigerians. Other important lessons are:

- 1) Access to finance through specialized financial institutions, liberal tax policies and cheap sources of funding. With good financial policies aimed at long term growth and a world wide of product marketing, Japanese manufacturing companies have set a high standard for their competitors to follow.
- 2) In the examined countries, the institutional framework intervenes in diverse areas of entrepreneurship development such as skill acquisition, training facilities, training and research.
- 3) There should be policy framework and programmes geared towards creating conducive regulatory environment which takes into consideration peculiar need of entrepreneurs so as to strengthen them to compete favorably in and outside the country.
- 4) Establishment of linkage with research institutions, universities and other institutions of higher learning will promote innovation, new technology, modern practices, processes and excellent management style.
- 5) There should be review and reform of policies and laws that affect entrepreneurship development so as to improve their capability, functioning and competitiveness. Policymakers can improve the economic factors that pose challenges to potential entrepreneurs by initiating market reforms which increase both market incentives and availability of capital to entrepreneurs (Burnett, 2000).
- 6) Government should help in the development of infrastructural facilities such as transport system, electricity, communication net work and other utilities to encourage entrepreneurship development. Security of lives and properties, maintenance of law and order and freedom to do business should be the focus of government at all levels.

The effectiveness of the above depends on a good conceptual framework about entrepreneurship.

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