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HOW NIGERIA CAN BETTER FIT INTO THE GLOBAL BUSINESS COMPETITIVENESS: LESSON FROM THE OIL SECTOR

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Abstract

This study examines how Nigeria can better fit into global competitiveness. A global competitiveness index framework was adopted from the World Economic Forum Agenda in line with the economic theory stages of development. Countries maintaining competitiveness at any stage of development hinges primarily on well articulated sub index which borders on basic requirements sub index, efficiency enhancer sub index and innovative and sophisticated factor sub index. Ardent literature was used for comparison and determination of Nigeria global competitiveness. The study reveals that Nigeria global competitiveness was factor driven since above 70 percent of her exports are made up of inherited prosperity and has not been sustained nor converted into permanent increase in the standard of living of Nigerians. The study recommends major shift in mind set and consistent adaptation to new societal shifts that will serve as panacea to boost non-oil export growth that can bring around the created prosperity *and inclusive growth. Emphasis should be geared towards eliminating or minimizing business impediments like bureaucracy, corruption, inimical and conflicting policies as well as opacity in processes, which businesses confront in their regular operations.*

Keywords: Globalization, Global Business, Competitiveness, Oil Sector, Nigeria

INTRODUCTION

Trade is a vehicle of globalization and an enhancer of global competiveness (Adebayo 2010).Globally, competiveness of any country depends on the stages of development as indicated by the global competitiveness index(World Economic Forum Agenda, 2015). These categories of development and transition from one stage of development to another in line with well-known economic stage of development as indicated by the world Economic Forum Agenda (2015) include: the factor-driven economy which is the first stage of development, where countries compete based on factor endowments. As country become more competitive and transit into second stage of development known as efficiency-driven stage, they must begin to develop more efficient production processes and increase product quality.

Finally as country transit to innovation-driven stage they produce new and different goods using most sophisticated production processes and by innovating new ones. Any country maintaining competiveness at any stage of development hinges primarily on well-articulated sub-index which borders on basic requirements sub-index, efficiency enhancer sub-index and innovative and sophisticated factor sub-index for developmental stages of one ,two and three respectively.

Nigeria is fortunate to have huge energy resources, which potentially gave the country the ample opportunity to transform her economy and lives of her citizens if the country policy borders on well-articulated basic requirements sub-index (Adenikinju, 2008). He further supported the assertion that Nigerian oil contributed over $391.6 Billion USD to government revenue between 1970 and 2005. This accounted for 77.1 percent of total revenue over the period. Out of this amount, $118.4 billon USD or 30.2 percent was earned between 1999 and 2005. Similarly, the Nigeria economy has earned over $593.6 billion USD from oil exports representing 96.3 percent of total foreign exchange earned between 1970 and 2005, out of this amount, $153.1 billion USD of 25.8 percent was earned between 1999 and 2005.

The oil sector has taken significant effort to dictate the pace and the structure of growth of most economy. Nigeria has been experiencing longest boom in this sector and contributed to the increase in consumption level of both the government and ordinary citizens , though these level increase have not been sustained nor converted into a permanent increase in the standard of living of Nigeria. According to Adenikinju (2008) the history of oil in Nigeria has been characterised by almost an unequal measure of progress and retardation, blessings and curse, hope and hopelessness, wealth and prosperity and inability to translate the good luck of oil to build efficient modern society.

Research Objective

The main purpose of the study is to examine how Nigeria can better fit into the global business competitiveness with respect to their oil sector, while the specific objectives are;

i. To determine the Global Competitive Index Framework
ii. To examine the Nigeria Global Competitive Position, and
iii. Solution to Nigeria Global Competitiveness

Review of Related Literature

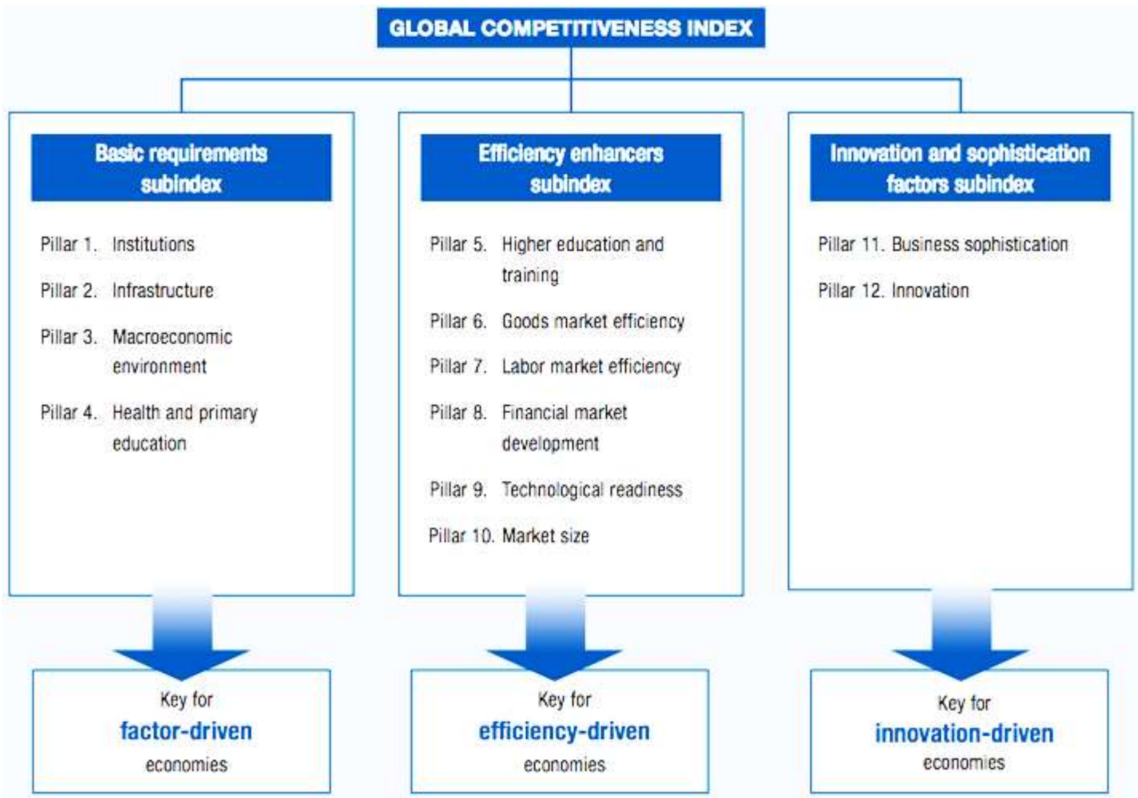
Porter, Ketels and Degedo (2007) defined competitiveness as a country's share of world market for its product. World Economic Forum Agenda (2015) assert competitiveness as set of institutions, policies and factors that determine level of productivity of a country. Adebayo (2010) opined that the goal of competitiveness is to ascertain the productivity of the nation which is the major plank for sustainable. Prosperity is determined by the productivity of an economy, which is measured by the value of goods and services produced per unit of nation's human capital and natural resources. The productivity level also determines the rate of return by investment in an economy, which in turn are fundamental drivers of its growth rates.

Globalisation in its simplest form is the increasing worldwide integration of markets for goods, services and capital (Adebayo, 2010). The integration engendered by globalization has brought to the front burner the need to access the relationship of the components of the emerging global village. The concept of global competitiveness has emerged to enhance natural benefits to all countries. Adebayo (2010) argued on the position that globalization benefits the advanced and developed economies while making advanced less countries vulnerable and susceptible to increase misery and poverty. In assessing a country's global competitiveness, it is easy to measure the extent to which it is coping positively in the global game-play. In addition measuring global competitiveness enhances a diagnostic analysis of the subsisting relationship and encourages a prescription of policies to enhance better performance.

Global Competitiveness Index

The Global competiveness index has been an important tool by policy makers of many countries over the years. Since its first publication in 2005, the index has become widely recognised as one of the key assessments of global competiveness (World Economic Forum Agenda, 2015).The global competitive index uses statistical data from the world Economic Forums Annual Executive Opinion Survey to capture concepts that require a more qualitative assessment or for which internationally comparable statistical data are not available for entire set of economics (Mordi, 2016).

Figure 1: The Global Competitiveness Index Framework



Source: Adopted from World Economic Forum Agenda, (2015). Global Competitiveness Report, Retrieved January 18, 2016 from htt://reports.weforum.org/global-competitiveness

In line with well-known economic theory of stages of development, the global competeveness index as shown in Figure 1, assumes that in the first stage, the economy is factor endowments-primarily unskilled labour and natural resources. Companies sell basic products or commodities with their low productivity reflected in low wages. Maintaining competitiveness at this stage of development hinges primarily; on well-functioning public and private institutions, a well developed infrastructure, a stable macro-economic environment and a healthy workforce that has received at least a basic education. All these are basic requirements sub index most critical for a factor driven stage to remain competitive.

As a country becomes more competitive, productivity will increase and wages will rise with advancing development. Countries will then move into the efficiency driven stage of development, under this situation, they begin to develop more efficient production process and increase product quality because wages have risen and they cannot increase price. At this point, competitiveness is increasingly driven by higher education and training, efficient goods market, well-functioning labour markets, developed financial market, the ability to harness the benefits of existing technologies and a large domestic or foreign market. All these are known as efficiency enhancer sub index required for competitiveness.

Finally as countries move into the innovation driven stage, wages will have risen so much that they are able to sustain those higher wages and the associated standard of living only if their businesses are able to compete with new and unique products. At this point, companies must compete by producing new and different goods using the most sophisticated production process and by innovating new ones. Such innovation and sophistication factors sub index are critical in the innovation driven stage.

It should be noted that although the three stages of sub index have been itemized in Figure 1, they are not independent. On the contrary the sub indexes are related and reinforcing. To drive home this point WEF in Adebayo (2010) illustrate that innovation is not possible in a world without institutions (Factor- driven) that guarantee intellectual property rights, cannot be performed in a country with poorly educated trained labour force(efficiency driven)and will never take place in economics with inefficient market(efficiency driven) or without extensive and efficient infrastructure.

The study tries to ascertain how Nigeria can efficiently fit into global competiveness and problems associated therein.

Nigeria Global Competitiveness Position

Nigeria global competitiveness could be regarded as a factor driven in line with World Economic Forum Agenda (2015) assertion that where prosperity of a country is based on extraction of resources which measured the share of export of mineral goods in total export and assumes that the country has more than 70% of their export made of mineral product (measured using five year average) are to a large extent factor driven. Nigeria economic growth does not seem to have the expected impact because it is not yet inclusive as oil continues to play a developmental role in the economy (Mordi, 2014). The economy dropped nine places from 138 to 147 out of 187countries surveyed in the Ease of Doing Business index recently released by the World Bank. It makes sense for investors to overlook Nigeria for other countries, such as

Ghanat hat promise better access to electricity, superior tax regime and improved production for investors (Abubakar, 2016).

Nigeria is fortunate to have huge oil resources and experienced all phases of oil-the good, the bad and the ugly which potentially give the economy ample opportunity to transform her economy and lives of her citizens. Apart from increasing the competitiveness of Nigeria economy, be it a way of reducing overall energy costs or a way to further modernize the technology used by economic agents and businesses. Oka (2014) concluded that Nigeria has not devoted much attention to her abundant oil sector resources; her efforts have been centred on the exploitation and utilisation of crude oil and gas for fiscal objectives and electric power to generate electricity to power the economy.

From Fig 1, Nigeria is classified into stage 1 of development continuum. This means that Nigeria by that report is a factor driven country. This was supported by Global competitive report in Adenikinju (2008) that the self-acclaimed status of Nigeria, as the giant of Africa has not been sustainable. They further stated that some African countries have been indicated as being in higher stage of development than Nigeria. For instance Botswana, Kuwait, Libya, and Tunisia are already transiting from stage 1 to 2, while Algeria, Namibia and South Africa are already in stage 2. Furthermore, Adebayo (2010) concluded that Nigeria per Capita GDP is adjusted to be below 2000 USD and secondly that Nigeria is factor driven. This implies that Nigeria basis for competition rest squarely on factor-endowment, which in turn has serious challenges for trade. Therefore, by virtue of its current position, Nigeria is yet to make it into efficiency-driven stage of development and consequently efficiency enhances sub index of the global competitiveness index framework may not be directly applicable.

This study was necessitated by the impression of different writers that Nigeria is a very wealthy Country, that have enough oil and minerals that if we manage it better, everybody is going to be wealthy is a fallacy and untrue. Study by Mordi (2014) has shown that Nigeria has a large amount of oil deposits and we are one of the largest oil exporters. However our population is so large that the oil is not enough to grow Nigeria. He stressed that we need to have a hundred and fifty times more oil to be where Kuwait is. We need to have 200 times more oil to be where Qatar is, therefore is not enough for competitiveness.

Oil and things like that are inherited prosperity. Kuwait, Saudi Arabia and countries like that whether they have well managed economy, whether they have democratic system or the economic system is irrelevant, there is enough oil to make everyone wealthy (Mordi, 2014). But in Nigeria case, we need to look at countries like Ireland, Singapore and even Mexico, these are countries where they went beyond the natural resources because they have not much oil and they get the private sector to lead growth, get the market to lead growth. That is what they called created “prosperity’’. All this is to make it very clear that there is an imperatives for Nigeria to go beyond what natural resources we have and create an environment where business can drive growth and reduce poverty, hence the need for competitiveness.

Solution to Nigeria Global Competitiveness

Mordi (2014) cited the examples of Korea and Rwanda and explained that competitiveness is a sure bet to all round development. Korea in the 1960s was not different from any country in South Asia if not Africa. Again they had a conscious effort at competitiveness and had a national council that was driven by the government and which have made the country leapfrogged from being an efficiency economy to what we call innovative economy.

Rwanda in many ways was worse than Nigeria a couple of decades ago. No rail resources, land locked, incredible genocide conflict and the economy was in doldrums and they set up national competitive council that determine what they have and have not. They have tourism potentials but they could not even compete with South Africa and Kenya. They built all the infrastructures to aid tourism, they attracted investments, attracted human capital that is skilled and today Rwanda economy has been growing solidly year in year out, very near doubled digits without any known resources like oil and diamond.So the bottom line is that Nigeria should have a focused competitive council which has support for it at the top and engages properly with relevant stakeholders. It can bring around the created prosperity and inclusive growth.

Furthermore, for Nigeria to become investor’s choice, a complete restructuring of the economy’s education policy and more attention should be paid to agriculture business of its capacity to be a mass employer of labour. People should be taught skills that are relevant not just going to school to study academics studies and graduate without much to do with it. Therefore education should be aligned with what businesses are demanding Academicians should research what is useful for businesses in Nigeria and things of that nature as it happens in countries that have clear competitiveness programme.

Emphasis should be geared towards eliminating or minimizing business impediments like bureaucracy, corruption, inimical and conflicting policies and opacity in processes that businesses confront in their regular operations.

CONCLUSION

The significant long term problems we are facing in the new century require major shift in mind set and consistent adaptation to new societal shifts that will serve as panacea to boost non-oil export growth. Therefore, to improve Nigeria’s competitiveness, encourage local investments, endear foreign investors and ultimately create a holistic economic growth of boosting non-oil export, the ministry of trade and investment in conjunction with stakeholders and world economic forum established the NCCN with the core goal to improve the competitive ranking of 75th position in the next four years (Mordi, 2016). Laudable as the NCCN initiative appears, this study argued that Nigeria has a reputation for being a graveyard of brilliant policies and wondered if this would go the way of other dazzling policies that have eventually failed at the implementation stage.

The study recommends a shift to boast the non-oil sector growth and integrity of the key managers in all sectors of our economy. Future research directions should focus on other West African countries in the same research area; furthermore, future studies should identify the other potential moderators of global competitive index.

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