

# Integration of Traditional Business School Models to Entrepreneurship Development and Job Creation in Nigeria

Obi, Emeka Francis; Prof. Emma E. O. Chukwuemeka

Department of Public Administration, Faculty of Management Sciences,  
Nnamdi Azikiwe University, Awka, Anambra State, Nigeria

## ABSTRACT

This paper advocates the possibility of integrating the models of traditional business school to entrepreneurship development and job creation in Nigeria. Drawing insights from extensive review of literature, the paper utilizes secondary data in its analytical discourse. The paper's theoretical foundation was Theodore W. Schultz's human capital theory formulated in 1961, and results from the paper showed that government policies can encourage the survival and expansion of MSMEs in Nigeria. Based on the research done for this paper, it was suggested that the government can utilize the innovative spirit of entrepreneurship present in the Igbo apprenticeship system to create policies that will bring the vast majority of the informal sector into the formal economy, where there can be better coordination and regulation to ensure the sector's continued success and growth. It was also suggested that current entrepreneurial opportunities like digital marketing and sales, ICT, web development, digital data management, etc. be incorporated into the curriculum development of schools, universities, and other vocational and technical colleges. This is in addition to honing attention on tried-and-true methods of skill development like cooking and handiwork.

**KEYWORDS:** Public Policy, Entrepreneurship, and Entrepreneurship Development

## INTRODUCTION

The issue of unemployment and job creation in Nigeria has continued to dominate development discourse. As a result, government have taken various steps to tame this monster called unemployment. The former Minister for Labour and Employment, Dr. Chris Ngige in May 2019 raised an alarm, as reported by Premium Times, that by 2020, Nigeria's jobless rate might reach 33.5 per cent. The National Bureau of Statistics' first-quarter 2019 data showed a high unemployment rate of 23.1 per cent and an underemployment rate of 16.6 per cent, which according to Ngige (2019), was alarming, and that Government from 1972 to date, have implemented about 14 different programmes in this regard.

The military regime of Gen. Olusegun Obasanjo instituted Operation Feed the Nation (OFN) in 1976, the Shehu Shagari government instituted the Green Revolution in 1980, the military regime of Gen. Ibrahim Babangida formulated the Directorate for Food Road and Rural Infrastructure (DFRRI) in 1985, and various other intervention programmes such as

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the Agricultural Development Programmes (ADP), the National Directorate of Employment (NDE), and the Poverty Alleviation Programme (PAP). The democratic dispensation that began in 1999 saw the implementation of NAPEP (National Poverty Eradication Programme), NEEDS (National Economic Empowerment and Development Strategy), SURE-P of the Goodluck Jonathan era, and the various social investment programmes of the immediate past administration of former President Muhammadu Buhari

The failures of these programmes are evident in the current alarming state of unemployment with its attendant consequences – poverty, crime, etc. As government struggles to tackle unemployment, a silent economic revolution has been ongoing since the end of the civil war, particularly among the Igbo ethnic group in Nigeria. It is the entrepreneurial apprenticeship scheme or what we prefer to call the Traditional Business School model, which according

to Robert Neuwirth is reputed to be the world's largest business incubator platform.

In Nigeria, the informal economy relies heavily on the Igbo's apprenticeship system. In economic terms, the informal sector comprises all the businesses, people, and groups operating outside of the purview of official rules and laws. The informal economy encompasses a wide range of activities, from retail trade on the street to subsistence farming to small-scale manufacturing to service provision (including but not limited to hairstylists, private taxi drivers, carpenters, okada riders, and so on). Becker, (2004) sees the informal sector as that uncontrolled portion of the economy. It's the part of the market economy that operates outside of formal structures and produces products and services for exchange.

According to the Nigeria's Bank of Industry (BoI, 2018), the Informal Sector includes all forms of economic activity and revenue generation that are not strictly regulated by the state and other public bodies. This includes businesses that are not properly registered and do not keep accurate records, as well as employees who lack access to even the most basic forms of social security and legal protection on the job. Bank of Industry (BoI, 2018) reports that up to 90 per cent of the workforce in some of the world's poorest countries is engaged in informal economic activity.

An informal apprentice is someone who works for and learns from a master in a certain field or profession. In the course of a certain number of years, the apprentice has a thorough understanding of the industry and is prepared to set out on his own. This method has been shown to be effective in alleviating poverty and empowering formerly disadvantaged communities by creating jobs and fostering an entrepreneurial spirit among the youth.

The entrepreneurial route as a pathway to poverty eradication, job creation, economic growth and sustainable development is evident and government all over the world have been plying the entrepreneurial route with varying degree of success. This is because the resourcefulness of the people determines the economic success of a nation as economic growth impacts positively on the standard of living, government revenue through taxation, Gross Domestic Product and ultimately improves the economic purchasing power of individuals and households. The above situation provides the motivation for this analysis.

## MAJOR CONCEPTUAL REVIEWS

Two key concepts can be deduced from the title of this paper. They are entrepreneurship and

entrepreneurship development. As we discuss the concept of entrepreneurship, we will also talk about the apprenticeship scheme denoted in this paper as Traditional Business School.

**APPRENTICESHIP/TRADITIONAL BUSINESS SCHOOL:** Apprenticeship is a training and mentorship programme that is common with entrepreneurs and business owners from the South Eastern part of Nigeria where an apprentice is assigned to a master or mentor to learn the nitty-gritties of a particular business after which he or she is expected to become independent and stand on his own. In its simplistic form, apprenticeship is a system of education and training that helps to prepare a new entrant into a particular line of activity. Because of its generally sociocultural outlook, the apprenticeship system is often referred to as the Traditional Business School. Also, as a business model, apprenticeship is a system of business education based on entrepreneurship.

**ENTREPRENEURSHIP:** There is no generally agreed-upon definition of entrepreneurship since the notion has been the subject of several characterizations by various academics. However, an entrepreneur, as described by Shane (2003) is a person who undertakes and finances innovations in an effort to transform such innovations into economic goods and services. He claims that Bill Gates's wealth would not have been as large as it is now if Steve Jobs hadn't seen the potential in creating and selling personal computers, and that Jobs wouldn't have had the resources to do so if Gordon Moore hadn't invented the microprocessor. Therefore, inventions that result in the generation of wealth are made possible through entrepreneurial activity.

Some definitions of entrepreneurship emphasise the capacity to take calculated risks while others emphasise the ability to start and grow a business from scratch. According to this view, the theoretical orientation of entrepreneurship involves understanding the numerous forms and sources of entrepreneurial possibilities, as well as the reasons for their existence. It also includes procedures for finding opportunities and gauging whether or not to acquire resources to capitalise on such chances.

Entrepreneurship is the intersection of two phenomena: the availability of profitable chances and the existence of risk-taking people. But in practise, entrepreneurs are those who are both ready and able to learn the skills necessary to identify and capitalise on business opportunities, launch new ventures, and run existing ones with success. Risk-taking, long-term thinking, adaptation, and the generation of new value are all integral parts of the entrepreneurial process. It

calls for a relentless application of enthusiasm and effort towards the development and execution of fresh strategies, concepts, and approaches.

Ogundele, (2007) traces the origin of the concept to a French word '*entreprendre*' which means to undertake. He views an entrepreneur as an innovative individual who nurtures and grows a business, whether new or existing business organizations. Continuing, Ogundele perceives an entrepreneur to be a risk taker who conceives a business idea and nurtures it through its initial problems and struggles onto stability, sustainability and growth.

#### **ENTREPRENEURSHIP DEVELOPMENT:**

Entrepreneurship development is related to the apprenticeship system as it has to do with the series of activities aimed at improving the knowledge and skill set of entrepreneurs either formally or informally. Entrepreneurs are developed through classroom training sessions, simulation or practical field / on the job training as is obtainable in the traditional business school. The goal here is to boost the capacity of an entrepreneur to manage, organize and grow businesses.

Entrepreneurship development also helps the entrepreneur to better understand the market, competitors, regulatory policies and how they constitute opportunities or threats to the business, corporate governance structures, other associated risk factors, better knowledge of financial management as well as how best to expand the business. A business can outgrow the competence and capabilities of its owners, except they are adequately trained and equipped to handle greater tasks, understand the complexities inherent in large corporations and be able to navigate through the murky waters of local and international competition.

Regardless of the prevailing economic model, modern economists agree that fostering entrepreneurial spirit is an intentional process that calls for close partnership between the public and private sectors. Institutional and economic aspects are crucial enablers of entrepreneurship and economic growth, as suggested by Leff (as referenced in Udefuna and Uzodinma 2017). Regulatory agencies, finance, government rule and enforcement organisations, microfinance banks, etc. all make up what is known as the "institutional environment." According to the research of Furman, Porter, and Stern (2017), as quoted by Udefuna and Uzodinma (2017), the economic backdrop includes components such as industrial infrastructure, economic growth, and the potential for innovation.

Promoting entrepreneurship is widely acknowledged as a powerful means to increase the creation of jobs. Since the 1970s, the government of Nigeria has planned and implemented a variety of procedures and action plans to foster the growth of entrepreneurship in the country. According to Okpara & Wynn (2007), the Nigerian federal government has implemented fiscal incentives including tariff reductions and tax holidays to encourage entrepreneurship. Additionally, the Central Bank of Nigeria (CBN) established credit standards mandating the provision of a percentage of commercial and merchant banks' loanable capital to SMEs. Many government programmes were established to help small and medium-sized businesses expand in Nigeria (Okpara & Wynn, 2007). The World Bank's SME I and SME II credit programmes, as well as the People's Bank and the National Economic Reconstruction Fund (NERFUN) in Nigeria are all examples of such institutional assistance programmes. The Nigeria Export-Import Bank (NEXIM) and the Nigeria Export Promotion Council (NEPC) were established by the federal government to facilitate private sector export lending facilities and export duty draw-back programmes, respectively (Okpara & Wynn, 2007).

Most of these efforts to encourage entrepreneurship lacked enough planning or resources (both human and material). However, in cases when there are sufficient means to achieve the objectives, distribution and coverage sometimes prove to be the programmes' Achilles' heel. Factors such as corruption, an increase in the number of agencies and duplication of functions, a lack of a continuity culture in government business (as was the case with the FEAP, BLP/FSP, and the Peoples' Bank), and the merger or fusion of similar and related programmes, as was the case with the amalgamation of the Nigerian Industrial Development Bank (NIDB), all contribute to the decline of government programmes. The most difficult task for these endeavours was to completely replace an existing policy plan with a new one (Abimbola & Agboola, 2011). These problems are still deeply embedded in the system.

#### **APPRENTICESHIP SYSTEM: A MODEL FOR SUSTAINABLE ENTREPRENEURSHIP DEVELOPMENT**

In the 1970s, after the thirty-month civil war in South Eastern Nigeria, an economic model was established as a plan to stimulate economic development and sustainable living for southeasterners who had survived the conflict. The foundation of this strategy is formal education and training in commercial and industrial trades.

The framework, which is often referred to as the "apprenticeship system," consists of official and informal agreements between parties and helps to foster growing business groups among the Igbos. The Igbo apprenticeship programme is the biggest business incubation platform in the world, according to Neuwirth (2017). Through finance and investment in human resources, such as vocational training, it aims to promote economic stability, growth, and sustainability of individual and family livelihoods.

According to Maliga, (2013), the Igbo, as a result of their entrepreneurial exploits account for 74 per cent of all investments in Lagos – the economic capital of Nigeria and over 95 percent of all investments in the five states of the south east region. This is in addition to owning significant share of investments in many other parts of the country, all of which have continued to make significant contributions towards the living standards of Nigerians in terms of economic empowerment, job creation, provision of goods and services and the expansion of economic opportunities for majority of other Nigerians across various value chains both directly and indirectly, as well as generating revenue for the government through taxation.

The Igbo apprenticeship model comes in at least three distinct flavours. There is a variant of the apprenticeship scheme called as *Igba-boi* or *Igba-odibo*. This is by far the most typical and widespread variant. Under this scheme, an apprentice is given to a master or mentor to learn the ropes of a particular trade or profession from the ground up over the course of a certain number of years, after which the apprentice is financially empowered to stand on his own. The length of the contract is negotiable, but it's never shorter than five years. Most of the time, witnesses (often close friends and family) are present when the verbal agreements are made.

The second variant is an active skill development system also known as *Imu Oru* or *Imu Oruaka*. This system has a shorter duration of which an apprentice agrees to learn a particular skill or craft – tailoring, shoe making, vehicle or auto mechanic etc. While the apprentice under the first variant learns for free, stays for a longer period and is established upon completion of the agreement, the apprentice under the second category, pays to learn the craft, stays for a shorter period – say one, two or three years and is not entitled to any financial reward upon completion of his or her completion of training.

The third variant is the trade learning system known as *Imu Ahia*. This system is similar to the first and second variant. Its similarity with the first variant is that it entails an agreement between two parties for a

mentor to teach his mentee a business or a particular line of trade for an agreed period of time. The difference however, is that the training is for a shorter period and the apprentice will have to pay for the knowledge he or she intends to acquire and he or she is also not entitled to any financial reward upon completion of the agreement. The areas of its difference with the first variant are its similarities to the second variant. Also, because the first variant takes a longer time, parents do not allow their female children to go live with their masters like their male counterparts do under the first variant and thus, the female aspiring entrepreneurs can opt for the third variant that allows them to remain under their parents' roof and acquire business skills for a shorter period of time after which their parents or family members provide seed capital for them to start up their businesses.

The researcher has identified and developed five stages that has made the Igbo apprenticeship system thick and a success story in the past five decades. These stages will be discussed below but it is important to stress that majority of the examples and analyses to be made are applicable mostly to the first variant of the Igbo apprenticeship scheme - *Igba-boi* or *Igba Odibo*.

**The Business Development Stage:** This is the indoctrination stage of the apprentice into the business to understand the basics and secrets of success in the business. At this stage, the apprentice is taught the business language, purchasing strategies, sales and marketing strategies, the dynamics of the business environment, customers' behavior and how to react the individual preferences of different customers, etc. All of these aspects of the business help the apprentice to be exposed to the field and to find his footing in the line of industry or trade.

**Human Resource Management stage:** At this stage, an apprentice who have successfully scaled through the business incubation and development stage is now placed in a managerial position to transfer such knowledge to other younger apprentice coming under him while still under the master himself. It is important to note that of the three variants of the Igbo apprenticeship system discussed above, only the first variant makes it beyond the business development stage. The senior apprentice – at this stage - is left to manage, discipline and coordinate the activities of his younger fellows as he assigns them duties and responsibilities, appraise their performance and report same to the master.

**Decision Making Stage:** An apprentice who has proven himself worthy in the other two stages is assigned higher responsibilities like managing a

branch of the master's business, where he makes almost all the decisions and thereafter give account of his stewardship to his master either weekly or monthly. The apprentice is given more room to exercise discretionary powers and, in some cases, represent his master in major business meetings and can enter into negotiations and agreements on behalf of his master. The extent of leeway he is to enjoy at this stage is largely dependent on the level of trust between him and his master, his successes in the previous stages and his proven competences in past assignments.

**Financial Management Stage:** The apprentice, at this stage, is nearing the completion of his service agreement and his master begins to expose him to the intricacies of financial management, investment decisions, possible access to credit facilities and general information on how to grow his wealth. The apprentice might be left to handle huge sums of money and to transact business with it, with the freedom to make investment decisions on behalf of his master.

**Venture Capital Stage:** This stage usually marks the end of the apprenticeship service agreement and is known as the 'settlement stage'. All things being equal, the apprentice is provided with seed capital and launched into the world of business to stand on his own. If he succeeds, he in turn will take up apprentice of his own and the circle continues.

The success of the apprenticeship model is that it addresses all the major issues encountered by MSMEs and startup businesses. Many people acquire vocational skills but do not know how to monetize those skills, market them effectively and profit from them. Also, some potential entrepreneurs who have the above listed knowledge lack the needed venture capital to start. Thus, they remain either unemployed or under employed. The Igbo apprenticeship system addresses most of these issues within a complex model that has remained largely informal and yet to attract the needed government attention.

## THEORETICAL FRAMEWORK

Human capital theory served as the theoretical foundation for this work. Human capital theory has its origins in Adam Smith's seminal work, *The Wealth of Nations*, which was first published in 1776. Human capital theory, on the other hand, was first coined by Theodore W. Schultz in his 1961 paper titled "Investment in Human Capital" for the *American Economic Review*. Human capital theory predicts that earnings will follow a person's degree of education and training (Wuttaphan, 2017). One's chances of landing a better job improve in proportion to his or her level of education, expertise, and experience.

Human capital theorists argue that formal education is crucial to raising a population's productive potential. Researchers in the field of human capital suggest that a more educated populace is also a more prosperous one. As a result, human capital theory places an emphasis on the ways in which education can boost productivity and efficiency in the workplace by expanding the intellectual stock of the economically productive base of human capability. This base is the result of innate skills, acquired knowledge, and financial investment in people.

Human capital theory is one of three economics-based human resource development (HRD) theories (the others being the Scarce Resource Theory and the Sustainability Theory). Human capital theory is a conceptual framework for appreciating the value of investing in people via training and education to raise their knowledge, skills, and talents to boost a company's performance and provide an explanation for the significance of labour maximization.

According to the human capital hypothesis, formal education and training are necessary to compete in today's global economy. One of the recent publications by the Organization of Economic Cooperation and Development (OECD) for example, forewarns that the major changes undertaken in the private and public sectors of the economy of most nations in recent years as a consequence of globalisation would be harsh and distressing to many established values and practices. Therefore, the OECD believes that globalisation may improve education in the classroom. The following factors, as outlined by Babalola (2003), support investing in human resources.

1. The next generation has to be given the right pieces of the information that have been acquired by the older ones.
2. Teach the next generation to apply what we already know to create innovative goods, manufacturing techniques, and social services.
3. Creative approaches need to be fostered so that people may come up with brand new ideas, products, procedures, and techniques.

Conclusively, the Human capital theory maintains that money placed into people will pay dividends in the form of higher productivity. The validity of the hypothesis, however, is frequently elusive and inconsistent. Land, machinery, and manufacturing facilities were formerly good indicators of a person's financial standing. Although employees were acknowledged to be important, it was understood that a company's value could only grow via the acquisition of capital assets. However, most contemporary economists agree that

(entrepreneurship) education is crucial to bolstering human capital and, by extension, national economic outputs (Becker, 2013).

## CONCLUSION

Nigeria is ripe with potential, resources, and unrealized prospects. While the exploitation of certain opportunities calls for massive investments of cash, others need nothing more than the political will of governments to develop supportive laws and regulatory frameworks and to create a welcoming atmosphere for businesses. Others, though, call for the extraordinary intelligence and imagination of an entrepreneur to see the chinks in the armour and seize the chances they provide. There is potential for wealth creation, unemployment reduction, improved quality of life, more economic activity and growth, and a higher GDP with any of these options. All of these metrics point to progress towards a more sustainable future.

Some people are born into business, like those who carry on a family tradition, while others become entrepreneurs as a result of their education, work experience, and luck. A person's full potential cannot be realised without training, mentorship, or supervision, and that goes for the so-called "born genius" as well. This is where the importance of curriculum development and entrepreneurship training and education comes to play.

The lack of appropriate government regulation of most informal sector entrepreneurs – where majority of the Igbo apprenticeship system beneficiaries abound, has led to issues of lack of standardization, quality control and the likes. Taking cognizance of the views expressed in this foregoing, the following recommendations were put forward below.

## RECOMMENDATIONS

Having identified salient issues in this study, we recommend the following:

1. Government should tap into the entrepreneurial strength of the Igbo to formulate appropriate policies that will bring to the mainstream, the majority of the informal sector in order to provide the needed coordination and regulatory framework for sustainable growth and development.
2. As a follow up to the above, the government should provide the needed incentives to enhance the capability of the informal sector to be able to accommodate a larger section of the unemployed and underemployed in the state.
3. Also, current entrepreneurial opportunities like digital marketing and sales, ICT, web development, digital data management, etc.

should be incorporated into the curriculum development of schools, universities, and other vocational and technical colleges. This is in addition to honing attention on tried-and-true methods of skill development like cooking and handiwork.

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