

## Stakeholder's Engagement and Service Internationalization of SME's in Nigeria

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**Abstract:** The challenge of internationalization is such that delimits and narrows the operational scope and functionality of most SMEs to the highly competitive and dynamic context of their local economies. Such delimitations impact on the growth and survival of these SMEs given the dominance of other multinationals within the Nigerian economy. This paper examines from a broader and more embracing premise, the role of stakeholders' engagement in service internationalization of SMEs in Nigeria. The paper is designed as a theoretical paper and discusses related theories and links between the concepts. Based on the generality of views and the assertions put forward by previous research, this paper identified stakeholders; engagement as being critical and imperative to the development of SMEs knowledge-based capacities, access to resources and improved relations with significant groups. In conclusion, it was affirmed that stakeholder's engagement contributes towards SMEs competitiveness, recognition, validation and capabilities in service exportation and global market entry; thereby enhancing their level of service internationalization.

**Keywords:** Stakeholders engagement, service export, globalization, global market entry, service internationalization

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### I. Introduction

The growth and competitiveness of most developed economies stem from the harnessing of Small and Medium Enterprise (SME) capacities. SMEs are considered the engine of economic development and sustenance. Within Nigeria, an evident challenge persists which according to Amira (2006), mitigates the performance and survival of SMEs; this is the challenge of service internationalization. Reports (Alimi&Atanda, 2011; Adei, 2004) indicate that there exists a poor level of global market entry and service exportation due to deterring factors such as insufficient investment or funding, knowledge gaps and poor adaptability. Asiedu and Freeman (2006) noted that the success of SME's was as much a function of its systems as it was also a function of its engagement of key stakeholders. In this vein, stakeholder's engagement is considered a medium through which SME's can effectively indulge significant parties or groups, and in the same manner improve on its service internationalization capacities.

Studies (Amaeshi& Crane, 2006; Basly, 2007; Calof& Beamish, 1995) on service internationalization in the last decade offer significant insight on the redress of organizational systems, technologies and expertise as a means of enhancing structural forms and driving global capacities. By service internationalization, reference is being made to the exportation of services, reconfigured and formatted to suit global standards and projected market expectations. Buckley and Ghauri (1988) addressed the issue of financial management as an imperative for growth. Their study, much like those of Alimi and Atanda(2011) and Johansson and Vahlne(1997) focused on the availability of loans, discounts and credit facilities availed SMEs by financial institutions as a dominant issue in the development and performance of SMEs. Nonetheless, this can be considered a facet of a broader and more encompassing subject; that of stakeholder's engagement. More so, the issue of stakeholder's engagement is considered significant as it draws attention to other factors such as the legal implications of the operations of the SME and the attraction of individual or corporate investors (Luoma-aho& Vos, 2010), thus, shifting focus from banks and financial institutions as the only source for capital.

Stakeholder's engagement describes those activities which allow for the indulgence and active participation of key parties and significant others in the affairs, decision-making and functionality of the business. Related engagements tools involve dialogue with groups, transparency of business activities, feedback, and timely communication of intent to significant others. These according to Lyon and Maxwell (2004) necessitate a more harmonious relationship between SME's and their stakeholders, facilitating cooperation, support and sponsorship of activities. The purpose of this paper therefore, is to review the content on the relationship between stakeholder's engagement and service internationalization of SME's in Nigeria. Two

features of service internationalization are examined as functions of stakeholder's engagement, namely: service export and global market entry.

## **II. SME's in Nigeria**

The last 20 years have witnessed a renaissance of SMEs in Nigeria. This can be traced to the shift from the autocratic military to the democratic governance of the country. Most SMEs were thus established as a means or avenue through which one could partake in the assumed national cake through contracts and other business services; especially in oil and gas servicing, or construction (e.g. roads, housing, communities etc.). It is therefore apparent that while some of these enterprises may have been established based on genuine goals of addressing local market gaps and demands, a majority were mere projections and frontiers for obtaining market recognition while pursuing other politically intertwined objectives (Ebong, Udoh & Obafemi, 2014). No wonder there appeared to be a connection between the changes in government officials or end of office tenures and the failure or closure of business for some SMEs (Ebong et al, 2014; Zainawa, 2006). The existing gap between the mission of most SME's and the expectations of the business environment (locally and internationally) has over time crystallized into what one may refer to as the "norm of general purpose".

The "norm of general purpose" is a prevailing situation in Nigeria where SMEs in their attempt to be relevant in various markets and as such avail themselves of all possible opportunities, design their purpose and functions to be highly flexible and adaptable. Although this may appear reasonable, nonetheless, it strips them of precision, consistency and service quality. This flexibility in most cases requires structures and forms that are easily formatted and as such lacks detailed acquaintance with market specifications, segments and sectors, preferring fluid structures and systems as well as superficial activities (Muritala, Awolaja, & Bako, 2012; Aimiwu, 2004). Such practices have in this way crippled the capacities of most Nigerian based SMEs, deepening the gap between their service content and the actual expectations of the market.

The advent of globalization has however opened up new challenges as well as opportunities for Nigerian SMEs (Adei, 2004; Onyeaghalala & Anele, 2014). The internationalization of services not only offers SMEs further economic benefits, but also enhances their reputation and global standing. However, the need for such levels of participation in the global market can be considered as a push for most SMEs due to the competition globalization presents. With growing evidence of local contracts, services and trades within Nigeria being awarded to foreign based multinationals, there appears to be a shrinking of operational market platforms for most Nigerian SMEs, with a growing pressure to redefine and redesign their systems, models and processes so as to be able to reposition themselves within a more internationalized framework and in a more competitive form so as to match the services of other multinational firms (Onyeaghalala & Anele, 2014; Zainawa, 2006).

## **III. Stakeholder's Engagement**

The stakeholder is that individual, group, or party which is directly affected by the firm's actions, or behaviour; and also comprises those individuals, groups or parties which have the ability to directly impact and influence the organizations situations and operations (Luoma-aho & Vos, 2010; Harigopal, 2001; Czinkota, Ronkainen & Moffett, 2011). Therefore, an SME's stakeholder would comprise of its customers, distributors, employees, suppliers, host community, regulatory as well as government monitoring agencies etc. Stakeholders are critical to the survival and performance of any organization. Their actions or inactions have been reported to either enhance the capacities or destabilize the functionality of most organizations, even within Nigeria (Isaac, 2012). The recognition of the position and importance of stakeholders to the business affords the organization a better standing with its clients and the various components of its market.

Stakeholder's engagement according to Beesley (2005) describes those actions and processes through which firms or corporate entities interact with and indulge their stakeholders. It is an exchange process that entails learning about the expectations, values and position of stakeholders with regards to organizational goals, intent and activities. In other words, it is finding out about the opinion, position and views with regards to the operations and goals of the organization, and seeking out ways in which both parties can agree and cooperate harmoniously. It is an important feature and aspect of organizational behaviour as it identifies the organization as a minding entity, conscious and fully aware of the effect of its actions on significant others, as well as the power of others over its own affairs. Beesley (2005) noted that stakeholder engagement is an attempt to merge and align values in a way that facilitates the identification of various key groups with the activities of the organization and also enhances their support for the organization.

Ibeh and Young (2001) opined that organizations, especially SMEs, do not exist in a vacuum. They exist within social frameworks that define their behaviour and the content of their relationships. Their success therefore depends on the extent to which they are institutionalized, recognized and supported by these contexts. This equates to their understanding, and knowledge of their markets, their cooperation with established authorities and government agencies, as well as their adoption of practices that are suitable, safe and required by their various contexts. By stakeholder's engagement, organizations are able to learn, and generate concise

services which address evident gaps and needs of their market. Stakeholder's engagement not only enhances change receptivity, it also recognizes the developments in the environment and experiences of customers, enabling it to reconfigure, re-modify and re-strategize for effectiveness and improved service quality.

Some studies (Parker & Plank, 2000; Lev-On, 2011) note that despite the growing advocacy for stakeholder's engagement, there are notwithstanding, certain conditions and situations where autocratic styles are required, mostly in dealing with restiveness, strike actions and crisis situations. However, such circumstances are often symptoms of failed stakeholders' engagement which given feelings of neglect or marginalization, result into strike actions, vandalism, information hoarding and poor relations within the workplace. Stakeholder's engagement provides the avenue through which organizational social capital is enhanced and the knowledge base of the organization improved upon (Amaeshi & Crane, 2006). This is because through stakeholder's engagement, firms are able to understand the dynamics and evolutionary progress or development of the market based on evident expectations, satisfaction gaps and needs. Hence, stakeholders' engagement offers the prerequisites for a more fruitful partnership between organizations, their employees, customers, distributors, government agencies, host communities and other significant parties.

#### **IV. Service Internationalization**

First, we define the concept of a service. What is a service? And what does it entail? A service according to Albaum and Duerr(2011) can be described as those actions or activities, channelled towards the satisfaction of target individuals or groups, or designed to address identified challenges and situations. Although the processes, tools and features of a service may be tangible, however, the service itself is not tangible and in most cases, not something one can see or touch, but rather what offers experiences related to convenience, comfort and a sense of wellbeing (Beleska-Spasova, 2014). Good or quality services are often defined by the standards they meet, their reliability, consistency, content richness and the experience they offer; and as such, it is a highly competitive commodity as it can be configured in a variety of ways, depending on the innovativeness, creativity and capacities of its provider (Beleska-Spasova, 2014; Chetty & Hamilton, 1993).

The internationalization of services is conditioned on the capacity of such services to compete on a global level or scale. The associated capacity is driven by various structural, technological and knowledge-based features (Calof & Beamish, 1995). However, outside these contents and process-based features, there are other factors that impose on the effective internationalization of services; these include the legal frameworks which define international relations and the exchange of goods and services across regions; the identification, recognition and placement of organizations within specific markets of interest; and the parameters (quantity, quality, timing, currency etc.) of exchange between parties. These factors define the extent to which firms can successfully engage clients on a global scale and determine the extent to which they are competitive (Johansson & Vahlne, 1997; Czinkota et al, 2011).

Ebong et al (2014) noted that while most Nigerian SMEs may have the required capital and legal underpinnings to internationalize, they lack in competitive advantage when it comes to global services. Studies list factors such as poor technology, inefficient processes and inadequate knowledge of the international market. Other studies (Koch, 2001; Amira, 2006) point to the credibility of Nigerian firms and trust related issues, thus identifying issues in market placement and recognition as a challenge. Traditional models describe internationalization as an incremental process, where firms advance in their services from localities and regions, from stages of services, evolving constantly to engage the global market. However, this does not ignore the precepts of market placement, recognition and legality, and given the focus of this study, which is SMEs, it is apparent that such evolutionary processes and incremental service stages may not apply. Furthermore, the service business environment of Nigeria is highly volatile, and as Amira (2006) noted is primarily driven by profit and competition, hence SMEs must find and engage platforms that offer them new market opportunities and prospects, as does the international market.

- i. **Service exportation:** This refers to the international trade in services and the services offered foreign nationals. Albaum and Duerr(2011) opined that the nature of service exports can be highly demanding given the adoption of models or standards considered as prevailing in the buyers' context. This may involve substantial levels of customization and upgrades so as to match and compete with existing brands of competitors. Some examples include transportation services, rental services, accommodation, insurance and even security services. These services avail SMEs in their dealings with foreign nationals and are defined by the prevailing qualities of such services from a global standing as well as the client's expectations.
- ii. **Global market entry:** By global market entry, one refers to the firm's ability to gain recognition and validation as an international player and a significant party in the global market. Global market entry is significant because it determines the SMEs visibility. It is also based on trust and credibility. Studies (Koch, 2001; Ibeh & Young, 2001) affirm that entry modes such as joint ventures, licensing agreement and

franchising promotes the credibility of SMEs and can help enhance their visibility on a global scale, thus creating room and opportunities for more clients, and markets.

### **V. Stakeholder's Engagement and Service Internationalization**

Stakeholder's engagement integrates significant groups and parties into the affairs and decision-making process of the firm. SMEs through their engagement of customers, employees and vendors, facilitate learning and are also able to align their services with the actual gaps in their markets. Stakeholder's engagement opens the firm to a pool of resources and ideas which can be utilized to drive the firm more effectively (Amaeshi & Crane, 2006).

Also, the engagement of stakeholders in the affairs of the firm enhances their level of identification, citizenship behaviour and concern for the wellbeing of the firm. Such behaviour is enriched by the level of confidence shared by parties, especially when their opinions and views are sought with regards to issues pertinent to the organization. Isaac (2012) observed that through stakeholder's engagement, organizations are readily acquainted with the latest information and knowledge on the changes in customer demands, the activities of competitors, feedback on how their services are perceived, and also timely information on the trending applications or tools in the efficient management of business operations.

Stakeholder's engagement also describes the firm's recognition and willingness to cooperate with the local authorities and government agencies in charge of defining its legal or business boundaries. These include conformity to operational standards; as such it suggests the firm's recognition and acceptance of its responsibility towards its host communities and the development of its context of operations. According to Johansson and Vahlne (1997), the institutionalization of firms and their cooperation with local authorities enhances their reputation and, in many ways, facilitates their credibility, even on a global scale. This is as reports Amira (2006) indicate that there is a strong connection between the actions of SMEs towards their stakeholders and the extent to which they are considered as credible, responsible and trustworthy. It is apparent therefore that the engagement of stakeholders offers Nigerian-based SMEs a wide range of advantages and benefits which serve to enhance its internationalization capacities.

### **VI. Conclusion**

In this paper, we identified and discussed two key concepts – stakeholders' engagement and service internationalization. Going by the generality of theories and the position of previous studies, it was observed that stakeholders, as key players and factors existent within the environment of the business, contribute substantially towards its survival and performance. As such the engagement of stakeholders facilitates organizational learning and enhances its capacities. Consequently, stakeholders' engagement is a critical and highly useful practice for Nigerian based SMEs with the goal of internationalization.

The review also identifies the institutionalization theory as adequately prescribing and predicting the positive relationship between stakeholders' engagement and service internationalization of SMEs in Nigeria. In conclusion, it is evident that the engagement of stakeholders by SMEs in Nigeria, enables a building up of knowledge-based capacities, facilitates access to resources and also enhances their relations with government authorities, hence contributing towards their competitiveness, recognition, validation and capabilities in service exportation and global market entry; thereby enhancing their level of service internationalization.

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