Innovation in SME’s; The role of associations and agencies - A comparison between Nigeria and Portugal

Ololade Omolola Aboderin

Masters in Innovation and Technological Entrepreneurship
Supervisor: Maria Alexandra Neves Soares dos Reis Torgal Lobo Xavier

November 20, 2017
Innovation in SME’s; The role of associations and agencies - A comparison between Nigeria and Portugal

Ololade Omolola Aboderin

Masters in Innovation and Technological Entrepreneurship

November 20, 2017
Abstract

The impact of Micro, Small and Medium Sized Enterprises hereafter known as MSMEs cannot be overemphasized. They play a major role to the development and growth of every economy. SMEs have been known to contribute immensely to counties GDP and they help also in providing employment opportunities.

Innovation on the other hand is important to the continued success of any organization. Innovation can be associated with; change, ideas, revolution, new products and idea, remodeling all in an effort to create a new market of change the way, pattern or method a particular product and service is perceived.

This document seeks to study the impact of agencies and associations and their impact to innovation in SMEs in Nigeria and Portugal.
Acknowledgment

My Gratitude goes to the Almighty God, the creator of the Heaven and the Earth for the grace I received from Him to be alive till this date and to my supervisor, Prof. Alexandra Xavier for her understanding, advise and encouragement all through the duration of this program.

I appreciate my husband for being ever loving, supportive and standing strong to urge me on. Thank you Oluyomi. I have to deeply appreciate other members of my team, my children for their understanding and patience while this program lasted. In particular Inioluwa and Olaoluwa, who were already with us before I began this program and our only ‘Princessa’ Morayooluwa, who was a class member during the program. I love you all and you know it. Not forgetting colleagues and course mates that we went through the program together, most especially Luis Ferreira and Virak Chom.

This page will be incomplete without appreciating my parents, Mr and Mrs Akinbaani and Rev. and Mrs Aboderin. You all have been a pillar of support and love. My siblings, Mr Funso Aboderin, Mrs Olaore, Mr Bayo Aboderin, Mrs Kusimo, Mrs Adegbola and Miss Akinbaani for your prayers and support. Thank you all.

Ololade Aboderin
“I can do all things through Christ which strengthen me.
Phi. 4:13”

Holy Bible
# Contents

1 Introduction ................................. 1
   1.1 Scope of this dissertation .................... 1
   1.2 Motivation ................................ 2
   1.3 Objective ................................ 2
   1.4 Methodology ............................... 2

2 Literature Review .......................... 3
   2.1 Introduction ................................ 3
   2.2 Innovation and SMEs .......................... 3
       2.2.1 Innovation Management .................. 4
   2.3 Innovations and SMEs ........................ 6
   2.4 SMEs (MSMEs) across the World .............. 7
   2.5 Regional Innovation System (RIS) .......... 8
       2.5.1 Associations, Agencies and Institutes in Nigeria and Portugal ......... 10
   2.6 Problems Associated with the performance of SMEs and its Sustainability .... 11

3 SMEs Supporting Associations and their roles in Nigeria and Portugal .......... 17
   3.1 Introduction ................................ 17
   3.2 SMEs in Nigeria and Portugal ................. 17
       3.2.1 SMEs in Nigeria .......................... 17
       3.2.2 SMEs in Portugal ........................ 22
   3.3 Agencies and Associations for SMEs in Nigeria .............. 24
       3.3.1 Manufacturers Association of Nigeria (MAN) .................... 24
       3.3.2 Small Scale Industries Credit Scheme (SSICS) ................... 25
       3.3.3 National Association of Small And Medium Enterprises (NASME) .... 25
       3.3.4 Nigerian Association of Chambers Of Commerce, Industry, Mines and Agriculture (NACCIMA) ...................... 25
       3.3.5 Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) 26
       3.3.6 National Poverty Eradication Program (NAPEP) ................... 26
       3.3.7 Nigerian Employers Consultative Association (NECA) .............. 27
       3.3.8 Micro Finance Institutions (MFIS) .......................... 28
       3.3.9 Small and Medium Enterprises Equity Investment Scheme (SMEEIS) .... 28
       3.3.10 Youth Enterprise with Innovation in Nigeria (Youwin) ............ 30
   3.4 Agencies and Associations for SMEs in Portugal ................ 30
       3.4.1 Portuguese Agency of Support for Small and Medium Size Enterprises and Innovation (IAPMEI) ..................... 30
       3.4.2 Associação Nacional de Jovens Empresários (ANJE) .............. 31
       3.4.3 Agência Nacional de Inovação (ANI) .......................... 32
List of Figures

2.1 Hierarchical view of division of individual innovations (Havlicek et al., 2013) . . 4
2.2 Product Innovation Connecting Path, (Havlicek et al., 2013) . . . . . . . . . . . . . 6
2.3 MSME Density Across the World, (Kushnir et al., 2010) . . . . . . . . . . . . . 8
2.4 RIS in Nigeria and Portugal . . . . . . . . . . . . . . . . . . . . . . . . . . 10
3.1 Small Enterprises in Nigeria . . . . . . . . . . . . . . . . . . . . . . . . . . 19
3.2 Medium Enterprises in Nigeria . . . . . . . . . . . . . . . . . . . . . . . . . 20
# List of Tables

3.1 Small Enterprises in Nigeria ........................................ 18  
3.2 Medium Scale Enterprises in Nigeria ............................... 18  
3.3 Large Scale Industries in Nigeria .................................. 18  
3.4 MSME in Nigeria ...................................................... 19  
3.5 Regional grouping of the Number of Small and Medium Enterprises in Nigeria .............. 19  
3.6 Enterprises and Employees through MSMEs in Nigeria ............... 21  
3.7 SMEs basic figures estimates for 2015 ............................... 23  
4.1 Comparison between Nigeria and Portugal agencies .................... 38  
A.1 Some of the reviewed materials on innovation and standardization .................... 44  
A.2 Reviewed Materials on SMEs ........................................... 45
List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADETTI</td>
<td>Associação para o Desenvolvimento das Telecomunicações e Técnicas de Informática</td>
</tr>
<tr>
<td>AICEP</td>
<td>Agency for the Investment and External Trade of Portugal</td>
</tr>
<tr>
<td>AIP</td>
<td>Associação Industrial Portuguesa</td>
</tr>
<tr>
<td>ANI</td>
<td>Agência Nacional de Inovação</td>
</tr>
<tr>
<td>ANJE</td>
<td>Associação Nacional de Jovens Empresários</td>
</tr>
<tr>
<td>BIC</td>
<td>Business Information Centre</td>
</tr>
<tr>
<td>BOI</td>
<td>Bank of Industry</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>CEPOL</td>
<td>European Union Agency for Law Enforcement Training</td>
</tr>
<tr>
<td>CPE</td>
<td>Center for International Private Enterprise</td>
</tr>
<tr>
<td>COTEC</td>
<td>Associação Empresarial para a Inovação</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIS</td>
<td>Global Innovation Systems</td>
</tr>
<tr>
<td>GVA</td>
<td>Gross Value Added</td>
</tr>
<tr>
<td>IAPMEI</td>
<td>Portuguese Agency of Support for Small and Medium Size Enterprises and Innovation</td>
</tr>
<tr>
<td>IIIUC</td>
<td>Institute for Interdisciplinary Research of the University of Coimbra</td>
</tr>
<tr>
<td>INE</td>
<td>Instituto Nacional De Estatística</td>
</tr>
<tr>
<td>INESC-ID</td>
<td>Instituto de Engenharia de Sistemas e Computadores - Investigação e Desenvolvimento</td>
</tr>
<tr>
<td>INESCTEC</td>
<td>Instituto de Engenharia de Sistemas e Computadores - Tecnologia e Ciência</td>
</tr>
<tr>
<td>IPMA</td>
<td>Instituto Português do Mar e da Atmosfera</td>
</tr>
<tr>
<td>ISEP</td>
<td>Instituto Superior de Engenharia do Porto</td>
</tr>
<tr>
<td>ISISE</td>
<td>Institute for Sustainability and Innovation in Structural Engineering</td>
</tr>
<tr>
<td>LAUTECH</td>
<td>Ladoke Akintola University of Technology</td>
</tr>
<tr>
<td>MAN</td>
<td>Manufacturers Association of Nigeria</td>
</tr>
<tr>
<td>MFIS</td>
<td>Micro Finance Institutions</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro Small and Medium Enterprise</td>
</tr>
<tr>
<td>NABDA</td>
<td>National Biotechnology Development Agency</td>
</tr>
<tr>
<td>NACCIMA</td>
<td>Nigerian Association of Chambers Of Commerce, Industry, Mines and Agriculture</td>
</tr>
<tr>
<td>NAPEP</td>
<td>National Poverty Eradication Program</td>
</tr>
<tr>
<td>NASENI</td>
<td>National Agency for Science and Engineering Infrastructure</td>
</tr>
<tr>
<td>NASME</td>
<td>National Association of Small And Medium Enterprises</td>
</tr>
<tr>
<td>NASRDA</td>
<td>National Space Research and Development Agency</td>
</tr>
<tr>
<td>NC</td>
<td>North Central</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>NCI</td>
<td>National Council of Industries</td>
</tr>
<tr>
<td>NDE</td>
<td>National Directorate of Employment</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NE</td>
<td>North East</td>
</tr>
<tr>
<td>NECA</td>
<td>Nigerian Employers Consultative Association</td>
</tr>
<tr>
<td>NIS</td>
<td>National Innovation Systems</td>
</tr>
<tr>
<td>NSF</td>
<td>National Science Foundation</td>
</tr>
<tr>
<td>NW</td>
<td>North West</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPS</td>
<td>Organized Private Sector</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>R&amp;D&amp;I</td>
<td>Research and Development and Innovation</td>
</tr>
<tr>
<td>R&amp;I</td>
<td>Research and Innovation</td>
</tr>
<tr>
<td>RIS</td>
<td>Regional Innovation System</td>
</tr>
<tr>
<td>SE</td>
<td>South East</td>
</tr>
<tr>
<td>SICF</td>
<td>Small Industries Credit Fund</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>Small and Medium Enterprises Development Agency of Nigeria</td>
</tr>
<tr>
<td>SMEEIS</td>
<td>Small and Medium Enterprises Equity Investment Scheme</td>
</tr>
<tr>
<td>SS</td>
<td>South South</td>
</tr>
<tr>
<td>SSICS</td>
<td>Small Scale Industries Credit Scheme</td>
</tr>
<tr>
<td>SW</td>
<td>South West</td>
</tr>
<tr>
<td>TESAC</td>
<td>Technological Skills Acquisition Centre</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
</tbody>
</table>
Chapter 1

Introduction

1.1 Scope of this dissertation

Innovation and SMEs are two main words that along with one another, and one cannot be done without the other. The process of translating a new idea into a good product or service is called innovation. With innovation comes SMEs because when this idea is birth, it brings about the creation or establishment of an organization or company which usually starts in a very small way (otherwise known or called startups) and then escalates depending on how sell-able and acceptable the idea is. Necessity, as the usual saying goes is the mother of Innovation. New ideas are born as a result of some arising necessity, development, need to achieve more, associate product which gives rise to the need fro another, etc. The European definition of SME says that: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million Euro, and/or an annual balance sheet total not exceeding 43 million Euro" (Commission, 2015). SMEs play a significant role in the growth and development of the country and for a developing country like Nigeria which boasts of a population of about 180 million there are thousands of SMEs and multiple of thousands of Micro SMEs (MSME). These SMEs face different categories of problem ranging from, high interest rate, import liberalization, lack of finance, non availability of raw materials locally, marketing problems, managerial issues, access to finance, infrastructure, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition (Ogbo and Nwachukwu, 2012). Growth, development and industrialization, wealth creation, poverty reduction and employment creation (OECD, 2004) are some of the enormous advantages SMEs have and are playing in a country.
1.2 Motivation

Due to the size and nature of SMEs and their importance to the economy of cities, states, countries and the world at large, there are agencies and associations across the world created in order to help achieve the purpose of these SMEs. These bodies perform various tasks and responsibilities ranging from collaborations with stakeholders to full supports of the SMEs activities. The motivation behind this study is to know if these bodies actually play these roles and how it affects innovation in SMEs.

1.3 Objective

In this work, the plan is to analyse the role played by associations and agencies in influencing or improving innovation in SMEs. The purpose is to analyze the activities of these agencies and see how these have contributed to the development of innovation in SMEs.

1.4 Methodology

The aim of this project is to make a comparison between SME’s performance and its effect on the economy both in Portugal and Nigeria taking into consideration innovation and its effect on SMEs. This will be done by:

- Reviewing of state of the art in the innovation management systems for SMEs, and products focusing on Nigeria and comparison against Portugal.
- Investigating how through organizations and agencies, these SMEs are able to achieve their innovative ideas and also challenges faced by SMEs in these two countries.
- Studying and analyzing agencies saddled with the responsibility of building growing and improving SME performance.

Elaboration of this dissertation is based on the following starting points:

- The phase I of this project is to review the state of the art on the innovation, innovation management, in the small and medium sized organizations and the problems faced by SMEs in Nigeria and Portugal will also be examined.
- In the phase II, studies will be conducted analyzing the various available agencies and bodies and their effect on the growth of SMEs the reason for the choice of these two countries is because this research work is been undertaken in Portugal and this writer is a Nigerian.
- In the phase III, presentation of the results in accordance with the aims and objectives of the research work.
Chapter 2

Literature Review

2.1 Introduction

In this chapter, efforts have been made to review related materials in line with this research area, which have been divided broadly into; innovation, innovation and SME, SMEs in Nigeria and Portugal, SMEs financing as well as challenges faced by this sector.

2.2 Innovation and SMEs

One of the most important organizational goals is growth, which is expected and targeted in every facet of the organizational structures. The major source of these growths and welfare of firms and countries’ economies is known as innovation. According to Schumpeter, innovation has long been acknowledged as one of the key sources of competitive advantage in business (small, medium and large) firms, including the service sectors (McDermott and Prajogo, 2012). It is this competitive advantage that made innovation activities become an important research area in business competition, business growth and continuous relevance of old firms in modern day markets (McDermott and Prajogo, 2012). There are also several definitions of innovation, but according to the definition presented in the Oslo Manual of the Organization for Economic Cooperation and Development (OECD), innovation is defined as the deployment of a novel product (good or service) or significantly upgraded one or a new; process, marketing method, or an organizational method in commercial methodology, workplace organization or external dealings (Gerundino; OECD, 2005). Innovation can also be seen as a spin-off or product of research leading to formation of small, medium-sized or large enterprises, which during the first phase of its existence largely depends and uses the laboratories, facilities and results of the research and development of the universities or research organizations. It is also known that research and development are the foundations of knowledge, which are needed to generate wealth in developed societies; innovation is the means by which the knowledge is transformed into economic development (Qualidade, 2007). It is needful to affirm that innovation activities are not only from research methods, or from other business enterprises, but are also from products of network cooperation (Mura and Sleziak, 2015). This
might therefore require two or three firms possibly across two countries or even regions across
the world to network effectively in order to achieve desired results. It can also be seen as a by-
product of Cultural Revolution and technological evolution, which thereby require that know-how
methods, best practices and agreed specification be rolled out for all players including the SMEs
(Arno et al., 2012). It is important to note that innovation is not statics but a continuous process
that must be maintained regardless of the size of a firm, which is therefore required for its proper
management.

2.2.1 Innovation Management

Innovation management defines the discipline of managing processes in innovation (Patil, 2014).
It also specifically deals with business strategy that must be duly applied in order to achieve orga-
nizational visions, missions and targets both on short and long-term basis (Havlicek et al., 2013).
It is also a known fact that it is impossible for research and development (R&D) to be efficient
without proper processes. Innovation management is not restricted to R&D unit only, as it involves
all workers at every level to creatively contribute to product development, manufacturing and mar-
keting in order to achieve the organizational goals. It as well includes a set of tools that make
it possible for engineers and managers to cooperate with a common understanding of processes
and goals. Innovation management also focuses on allowing organization to respond to external
or internal opportunities, and use it creatively to introduce new ideas, processes or products (Patil,
2014).

Innovation management in SMEs can be divided into three namely: management of strategic
innovation, management of process innovation and management of products innovation. Each of
these is significant to the overall success of the company (Havlicek et al., 2013). The graphical
relationship between these innovations is presented in Fig. 2.1, with each higher placed innovation
depicting a higher level of realized value (Havlicek et al., 2013).

![Hierarchical view of division of individual innovations](image_url)

Figure 2.1: Hierarchical view of division of individual innovations (Havlicek et al., 2013)

1. Strategic Innovation
Markides gave insight into strategic innovation describing it as the strategy of breaking the rules and thinking of new ways to compete, which involves strategically redefining business models and methods (Markides, 1997), this can be done such that other competitors in the field can be caught unawares. It is also referred to as an extreme method that firms can employ in surviving a volatile market condition (Kataria, 2013). In (Havlicek et al., 2013), it is described as an absolute vital part of innovation which is meant to change the direction or purpose of a department or an organization. It is likewise associated with the changing of the organizational architecture of the company, which include variation of products as a results of market demands or altering the total image of organization (Havlicek et al., 2013). Therefore in SMEs, strategic innovation is very important for successful operation of firms in this category.

2. Product Innovation

As presented in Oslo manual, product innovation involves the introduction of good that is either completely new or have been significantly improved or modified in term of its intended uses or characteristics (OECD, 2005). Though, it is called product innovation, it also encompass service that have been tremendously improved and ready for re-introduction into markets (Havlicek et al., 2013). Goffin and Mitchell (2010) characterize product innovation into two independent entities with product innovation as first dimension and service innovation as the second dimension. Service innovation thus, tends to create services which allows distinction of products when compares to competitors. Thus, product innovation defines the connecting path from research through to the commercialization of the new product or service. These paths is presented in Fig. 2.2.

3. Process Innovation

This is also referred to as operational innovation as it involves innovation of operational nature (Havlicek et al., 2013). It also defines as the way or method an organization conducts its businesses, this can be in the form of the technicality in their productions or marketing their respective goods and services. In Oslo manual, it is defined as the significant changes in the production and the delivery methods employed by firms (OECD, 2005). Process innovation is also defined as the development of new production or manufacturing process or modification in the existing process used in the provision of goods and services. In (Reguia, 2014) it is defined as the embracing of new or mainly improved methods of production of goods and services. It also reflected in making the technological processes more well-organized with the aim to reinforce the orientation on new products, for which the demand is growing (Mura and Sleziak, 2015). Process innovation is expected at every level within an organization because it is impossible for firms to depend solely on innovation occurring at one level only. This simply means for a firm (multinationals, large and SMEs) to succeed it must have process innovation working in all levels of such firms.
2.3 Innovations and SMEs

It is obvious that SMEs account for a very small percentage of overall businesses among the OECD members to which Nigeria and Portugal belong, but in spite of this, evidence shows that SMEs contribute immensely to the innovation systems by adapting existing products and introducing new ones, which will suit the need of their customers (Acs and Audretsch, 1990; Callan and Guinet, 2000). According to (Acs and Audretsch, 1990), SMEs, are responsible for a disproportionate share of new products, which is as a result of their low budgets on research and development (R&D). It is also very obvious that large organizations undertake more R&D projects, but the bureaucratic that is involved in these firms, makes it quite difficult for such work to be bought into open and thus not conducive to undertake R&D decision, unlike in SMEs, where decision to innovate can be by very few individuals and this attest to the important role that SMEs play in
the R&D activities (Scherer, 1991). Also, report by National Science Foundation (NSF) of the United States, in 1999 reveals that there is almost about 300% increase in the SME expenditures for industrial R&D between 1985 and 1995, unlike only 20% increase witnessed by largest firms within the same time frame (Callan and Guinet, 2000). In addition NSF also found increase in R&D-sales ratios of the SMEs from 3.4% to 3.9% from 1985 to 1995 respectively. This is in contrast to the decline in the R&D-sales ratios of the largest organizations, dropping from 3.5% in 1985 to 3.1% in 1995 (Callan and Guinet, 2000).

2.4 SMEs (MSMEs) across the World

Giving SMEs a definite definition may not be possible as this differs from country to country. This is so because the minimum amount that defines an SME is different from one country to another. SMEs are not specific to a particular sector as it cuts across different sectors of the economy and it is the soul of any economy. The classification of SMEs varies across countries and regions and this depends on the size of the economy and its endowment. In Europe, SME or MSME are enterprises (micro, small and medium-sized) that employ less than 250 employees and also have an annual turnover not exceeding 50 million Euro, and or an annual balance sheet total not exceeding 43 million Euro (Commission, 2015). In China, MSME is defined as enterprises with 1 to 300 employees and have total assets 40 to 400 million Yuan with business revenues from 10 to 300 million Yuan (Kushnir, 2010). The definition of SMEs is similar in the United States of America and Canada, in the US, it is companies with 500 or less employees, whereas in Canada, it is enterprises with fewer than 500 employees as companies with 500 and above are categorized as large companies (Hammer et al., 2010). Based on these definitions, it is obvious and to say choice of SME definition may depend on number of factors which include (Kushnir, 2010):

- business culture;
- the size of the country’s population;
- level of international economic integration;
- it could also be defined by some businesses that are lobbying for a particular definition, which would make it possible for their firm to benefit from governmental MSME support program.

Thus, the statistics of MSME density and penetrations across the world for the 2010 as presented by (Kushnir et al., 2010) is as shown Fig. 2.3 The statistics presented in Fig. 2.3 shows that Nigeria and Portugal share similar MSME penetrations per 1000 people, which is 51 and above. This confirmed the importance or MSME to the economy of the two countries and thus, the further focus will center on the SME activities and performance in these two countries.
2.5 Regional Innovation System (RIS)

Regional Innovation System is a system which emphasizes the quick dispersal of knowledge, skills and best practice within a geographic area larger than a city, but smaller than a nation. It is considered an instrument for regional development policy in Europe (Lim, 2006). It is a tool which helps the development process by segmenting the regions and developing them strategically. This emphasis is more drawn to conceptual and organizational development around the economic, social, political and institutional relationships that generate a collective learning process within a related group of technological and functional areas, which play active roles in the SMEs activities.

Although there is no universal definition for Regional Innovation Systems, it can be said to be a set of interaction between the public and private interests, formal institutions and other organizations which function according to the arrangement made by institutions and organizations and also have relationships that are conducive to the generation, use and dissemination of knowledge (Doloreuxa and Partob, 2005). The concept of RIS was born out of two major bodies of theory and research which are systems of innovation and regional science. The first one which is systems of innovation analysis innovation as an evolutionary and social process. (Edquist and Hommen, 2006). Socially, innovation is a collective learning process between several departments of a company as well as external collaboration with other firms, knowledge providers, finances and training (Lim, 2006). The second of which is regional science believes that innovation is localized and a locally fixed process (Amir et al., 2013). It deals with the benefit derived from localization. Basically, regional innovation can be said to mean the cooperation between firms and institutions such as universities, training organizations, research and development institutes and culture which supports innovation allowing both firms and systems evolve over time in innovation activities. Recently, regions with a sizable population of small and large firms tend to have a higher innovation
output. There are various agencies and organizations created for the promotion of RIS. The Lisbon Strategy was set up to help achieve the goal of becoming the most competitive, knowledge-based economy in the world by the year 2010. This objective is yet to be achieved due to an incomplete policy mix and a continually changing economy and because of this, the OECD was tasked with the duty of preparing an Innovation Strategy. The following are major themes that can help the Lisbon Strategy to evolve and be able to achieve its purpose:

1. Openness of Innovation

   With the new modes of innovation, openness is required in order for firms to access and integrate the ideas of firms, non-profit organizations or universities from the same country or otherwise into their own research. It also includes consumers and other users who are influencing the demand for innovation (Padoan, 2009).

2. Entrepreneurship

   A decrease in the area of R&D in Europe has contributed largely to the failure to promote emerging businesses in new sectors. In the United States for instance, 50% of business R&D is performed by companies that are less than 25 years old. There are lots of obstacles in the business environment some of which are:
   - Finance which is a global issue but which affects some regions more than others;
   - Venture capital is under-developed;
   - The markets are closed up not allowing for the entrance of new products and services;
   - Universities are not open enough to industrial applications, thereby discouraging the start and growth of spin-offs.

3. Importance of Creativity and Culture

   The importance of creativity and culture cannot be over emphasized. Creativity is the what brings about innovation and growth because without it, then there is no innovation or newness. Therefore, to remain relevant in the market, creativity, adaptability and development of new knowledge and skills.

4. The role of Innovation and Innovation Policy in addressing global challenges

   There are three major challenges for which innovation is crucial. These are climate change, emerging and neglected infectious diseases and food security. With innovation, these can be more easily combated.

   The need for new measurement tools. There is a need to have a measuring tool that can guide analysis and policy making. This is because innovation is changing rapidly and if there is no good understanding and tools to measure to know if the right thing is being done, then the purpose cannot be achieved. There is a major challenge to develop another generation of innovation policies which has new indicators and an updated measurement framework for innovation. Just like the
Lisbon strategy, similar to this in the Nigeria context during the regional government in the sixties, the government in the western region at the time led by Chief Obafemi Awolowo made many dramatic improvements in the pre and past colonial period. For instance, the increased effort in the educational sector focusing on regions and making it localized helped the growth and development of this sector greatly thereby giving a powerful tool—education. The agricultural sector also witnessed a regional concentration whereby all subregional cities were encouraged to engage in massive agricultural across the region which made planting of cash crops become an important investment in the region.

Nigeria, during the first decade after its independence depended mainly on agricultural sector, which was contributing immensely to employment and the GDP. At that time, Nigeria was the second largest producer of cocoa, largest exporter of palm kernel and palm oil. It also led in the areas of cotton, groundnut, rubber and hides and skins Alkali, 1997). This sector contributed over 60% of the GDP and the farmers produced about 70% of Nigeria’s export and 95% of its own food. (Lawal, 1997). All these was possible because of the regional state of governance but it was dissolved after the civil war in 1970 and state were created. This caused the collapse of major firms that were created.

2.5.1 Associations, Agencies and Institutes in Nigeria and Portugal

The organizations that forms the basis of RIS in Nigeria and Portugal have been grouped into associations, Institutes or Universities and Agencies. These are the bodies that drives the innovation
2.6 Problems Associated with the performance of SMEs and its Sustainability

Looking at the situation of SMEs in emerging economy like Nigeria, and across the globe, there are a number of challenges that are basically affecting the performance of this sector, which are presented as follows:

1. Financing
2. Corporate governance
3. Marketing
4. Human Resources
5. Technological

1. Financing

Before considering problems associated with the financing in SMEs, we will first analyse the impact of financing to the sustenance of SMEs in Nigeria, Portugal and the world at large. SMEs are an indispensable and essential sector of every economy. For developed economies, SMEs are key in the decrease of poverty, uplift in social standard and position, increasing employment opportunities. These attributes of SMEs has been widely acknowledged and proven to have positive effects on any economies across the world (Eniola and Ektebang, 2015). It is also believed that SMEs can be strategically positioned for sustainable development especially in the developing countries (Eniola and Ektebang, 2014). In order for firms to have a good performance, they depend on a variety of sources of financing both internally and externally (Terungwa, 2012).

In Africa, it is reported that high mortality rate of the SMEs, which is around 85 out of 100 is associated with inadequate access to sources of financial and entrepreneurial skills (Eniola and Ektebang, 2015). Financing in SMEs is a major tool whose importance cannot be overemphasized as it is a precondition to the performance of enterprise (Mukthar, 2009). It is the lifeblood of every business and for SMEs in particular, there must be appropriate financing. Credit determines access to all the resources on which SMEs owners depend and also serves as a source of funds which SMEs can utilized in the production and sustenance of firm’s competitive advantage process (Eisenhardt and Martin, 2000).

Types of Financing According to its Source
• Internal Financing:

Internal Financing can be defined as getting funds from a company’s operating activities rather than borrowing from a bank or through equity or debt issuance. This is a very important source of getting capital. Two major financing concepts of SMEs were identified by (Pretorius and Shaw, 2004), these are internal and external forms of financing but the external source is mostly used by more profitable SMEs like banks, individual investors, venture capital, crowd funding. According to (Fischer and Reu- ber, 2003) external resource providers are essential for SMEs rapid growth. A company with a strong business and solid sales is able to raise funds internally to fund new projects or initiatives. Either internal or external, the most important key is that SMEs have access to financing which will greatly help business start-ups, development and performance (Eniola and Ektebang, 2015).

• Formal Source of Financing:

Formal Source of Financing: Formal financing is believed to be the most important source of financing for firm’s growth. Some functions of the banks to SMEs are for efficient financial intermediation in the standard literature, providing proper screening and monitoring for borrowers while keeping the interest rates at a low level making them alleviate the credit constraints of firms while helping them grow faster. Examples of these are development banks, merchant banks and commercial banks. They also play some major roles one of which is the upset of the adoption of deposit as a credit to entrepreneurs. It is known that accessing banking credit facilities are vital in the take-off and effective operation of any firm, mindless of its size. In addition, SMEs performance is tied to ability or inability to access credit facilities from banks. While those that are able to access it perform creditably, on the other hand, inability to access it might affect the growth and eventually lead to death of such firm. (Eniola and Ektebang, 2015).

• Debt Financing

Debt Financing is another source of finance which can either be formal or informal. Formal sources are those from the financial institutions, while the informal sources are through family members, trade credits, friends, associates and directors. Provision of capital by investors in the form of loans for managers and owners of companies is referred to as debt financing. Consequently, the firms pay back agreed interest rate for the loan facility made available by the investors. Similarly, small organizations that need external financing for its take-off or smooth running, will like to access debt funding lending firms and institutions. Banks are the most sought after institutions for debt funding (Keasey and Watson, 1994).

• Equity Financing

Equity financing is another source of financing of SMEs meant for business operational purposes. Equity in simple terms refers to ownership and when this is used as a source
of financing, it means the complete or part exchange of the ownership of the company for money or other forms of assets. It is a type of financing that is accessed for partial exchange of the firm’s worth. "It is the net worth of a firm, the value of the assets less the value of the financial obligations." (Eniola and Ektebang, 2015) Equity financing is subdivided into two, which are; internal and external equity. Internal equity can be made available by the proprietor or directors in an organization. External equity also known as third parties equity. Here capital can be raised by selling company shares to the investors. Equity financing can thus be regarded as advancing business by selling right of possession for monetary advances (Eniola and Ektebang, 2015).

- Short Term Financing

Short Term Financing is known as a loan or credit facility acquired with a maturity of a year or less. It is the additional money a business needs for its business operation which covers a period of one year. Due to inadequate financial sources, firms that intended to expand business operations may turn to lending institutions for either short or medium term financial assistance. Accessing this may come at relatively high interest rates, and can be accessed in form of credit cards, bank loans, leases, overdraft and trade credits. Although small firms are now accessing long term loans, but they still fully depended on short term methods like overdraft and bank loans for smooth running of their business deals (Keasey and Watson, 1994; Eniola and Ektebang, 2015).

- Long term Financing

Long term financing is another type of financing acquired by firm for a period of more than a year, which means the financial obligation of such loan lasting over 12 calendar months. These are financial or leasing agreement which are due to come in a period that is more than a year. Some of the sources of long term financing are loans from lending institutions, debentures, retained earnings, shares and public deposits. The main difference between long and short term financing is that the former is basically to obtain assets and projects, while the later is to ensure smooth business running. Also, duration of pay back in long term financing, can be more than a decade, which may be in the form of mortgage or treasury note. This is unlike the short term that cash made available for business operations is expected back by the lending institutions with 12 months (Eniola and Ektebang, 2015).

Having considered the sources of finance in SMEs, financing in itself still remain top of the challenges faced by SMEs. Performance and growth of this sector of economy is tied basically to accessibility to financial resources. These therefore have accounted for high failure rates of the SMEs as well as their non performance. It is thus a major challenge that an intending entrepreneur need to consider before venturing into the business (Eniola, 2014). Though, government made efforts to increase access to finance but this recorded limited success because the awareness created by various orientation programs to sensitize the entrepreneurs was low, thereby making it of no effect to potential beneficiaries (Thwala
and Phaladi, 2009). In Nigeria for instance, interest rate is another clog in the wheel of progress and development of the SMEs. High interest rates is endemic to the growth of SMEs and the country economy at large, but it is appealing to the banking institutions. The interest rate before now used to be between 20 and 25 percent which was not very convenient for firms in this circuit. The lending and borrowing rates are high and banks basically prefer to give lower rates to blue chips. This therefore require that the stakeholders in the economy policies put in place plan that will be beneficial to all players (banking institutions, blue chip firms, SMEs and even the prospective entrepreneur). Other issues that affect SME owners are, huge collateral required by financial institutions before they can access loan facilities, inadequate market exposure as well as inability to access necessary and important market information. In addition to these, SME owners are also affected by inadequate management training and advice on how to obtain external finance that can aid metamorphosis of the small firm with growth possibility for intending or expecting expansion. These are negative to the performance of the SMEs in any country,(Eniola, 2014) it is however worth nothing that in Nigeria, government has succeeded in pegging down the lending rate to 14% in the ongoing year. This is a fair bargain, but entrepreneur will still hope for further reduction of the interest rates.

2. Corporate Governance

Corporate governance plays vital role in the sustainability and performance of SMEs (Mahmood, 2008). It also deals with the parts play by all stakeholders (directors and shareholders) in the operation of SMEs. This likewise will include putting in place adequate measures that will ensure smooth running and management of firms by establishing systems of checks and balances. This will consequently put an end to indiscriminate use of power and to ensure fidelity in the handling of the financial resources (Eniola, 2014).

3. Marketing

The general belief is that awareness of a particular product or service by intending customers is what brings about the connection to do business (Van Scheers, 2011). It has been confirmed through research that marketing is very important for the good performance of SMEs. Also, marketing stands as the linking circuit which leads a product or service from concept to the consumer/user. It is as well a high determinant in the success and or failure of a business. In actual fact, marketing is so vital, it is one of the core elements to the survival and growth of every business (Simpson and Taylor, 2002). It has also been stated that failure or success of a small firm can be traced to the personality, traits and attitude of the owner. This also include lack of marketing skills by the firm owner. Though, it is also known that marketing limitations of SME may be due to inadequate marketing strategies, limitation in market influence and inadequate resources (which include, time, marketing knowledge and financial strength). Thus, using the case in Nigeria, it can be concluded that
SMEs performance have been grossly affected by the deficient of marketing skills (Eniola, 2014).

4. Human Resources

There are factors that affect SMEs performance which include; full time commitment of all a sundry (the owners, managers and subordinates), the characters of entrepreneurs and human resource factor, which is one of the most important aspects for the high performance of any organization (Conner and Prahalad, 1996; Eniola, 2014), because a major challenge is recruiting and the ability to motivate these employees well enough to retain them in the organization. It is also discovered that one major reason SMEs are performing below expectation is inadequate knowledge and the insufficient application of the knowledge acquired (Alasadi and Abdelrahim, 2007). It is also ascertained that engaging professional human resources practices will ensure sustainability and good performance of small businesses on long term period. Thus, if professionalism and skills is applied in the running and management of SMEs, there will be significant difference and improvement, SMEDAN and other related government institutions are working assiduously on SMEs toward achieving this, unfortunately the numbers keep growing (Eniola, 2014).

5. Technological

The use of modern technology is yet to be embraced in the many developing countries but rather relying on traditional labor due to insufficient capital and ignorance of technological advances. Also, purchase of obsolete and ineffective equipments by entrepreneurs tend to affect firms even from the onset, which will results in poor products quality and even low productivity. In addition, using conventional technology as well as not having maximum utility of machinery due to inadequate funding, leads to non-competitiveness and low productivity by SMEs. On the other hand, developed countries are upgrading their machinery from time to time and will generate highly positive results for SMEs (Eniola, 2014). Thus, government in the developing countries has to make in putting policies that will assist the SMEs in embracing new technologies, which can be made by waving import duty on such equipments for the SMEs.
Chapter 3

SMEs Supporting Associations and their roles in Nigeria and Portugal

3.1 Introduction

The role of SMEs is similar across the nations of the world, but the guiding rules and government involvement might be slightly different from developed to developing countries. For instance in Nigeria, SMEs operates under different government programs, organizations and associations, with different and sometimes overlapping functions, which might be based on the political party in government at the time of establishing such bodies. Steps taken by government includes monetary, fiscal and industrial policy with measures to promote SMEs and empower the citizens (Sanusi, 2003). One noticeable difference between the agencies and associations in these two countries is the accessibility of SMEs to funds. While SMEs in Nigeria depends mainly on the Nigerian government, those in Portugal are not 100% dependent on the government and this will remove the tendency of having the political associates taken the positions of the entrepreneurs and drawing fund meant for the SMEs from the various government supporting agencies.

3.2 SMEs in Nigeria and Portugal

3.2.1 SMEs in Nigeria

According to the National Council of Industries (NCI), SMEs can be defined as business enterprises with total cost of two million Naira excluding land. The Federal Ministry Of Commerce and Industries also defined it as firms with total investment of up to N750,000.00 (Seven Hundred and Fifty Thousand Naira only) excluding land. The Central Bank of Nigeria and the Small and Medium Industries and Equity Investment Scheme (SMIEIS) on the other hand defined SME as any enterprise which has an asset of less than N200m. This does not include land and working capital. In term of staff strength, such firms has a minimum of 10 (otherwise, it will be categorized as micro enterprise) and a maximum of 300 (Sanusi, 2003). This definition however was based on the revised definition by the National Council on Industry in 2001. Splitting these down and
SMEs Supporting Associations and their roles in Nigeria and Portugal

giving each their individual definition, Small Scale Industry can be defined as an industry with asset base of more than N1.5m (One Million, Five Hundred Thousand Naira) but not in excess of N50m (N50 million Naira) excluding cost of land, but including working capital and a staff strength from 11 to 100 as presented in Table 3.1.

Table 3.1: Small Enterprises in Nigeria

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment</th>
<th>Assets (in Million Naira)</th>
<th>(Excluding land and building)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small enterprises</td>
<td>11-101</td>
<td>1.5 - 50</td>
<td></td>
</tr>
</tbody>
</table>

Medium scale industry can be defined as industry with an asset of a minimum of N50m (Fifty Million Naira) and a maximum of N200m (Two Hundred Million Naira). This also does not include the cost of land but includes the working capital. In addition the number of staff in this category range between 101 and 300. The values are presented in Table 3.2.

Table 3.2: Medium Scale Enterprises in Nigeria

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment</th>
<th>Assets (in Million Naira)</th>
<th>(Excluding land and building)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium scale enterprises</td>
<td>101-300</td>
<td>50 - 200</td>
<td></td>
</tr>
</tbody>
</table>

In large scale industry, the staff strength is more than 300 personnel and the asset base exceeding N200m (Two Hundred Million Naira) excluding the cost of land but which includes working capital, as shown in Table 3.3.

Table 3.3: Large Scale Industries in Nigeria

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment</th>
<th>Assets (in Million Naira)</th>
<th>(Excluding land and building)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large scale Industries</td>
<td>300</td>
<td>Over 200</td>
<td></td>
</tr>
</tbody>
</table>

According to the Bank of Industry (BOI), Nigeria, Micro Small and Medium Enterprise (MSME) can be defined graphically as presented in Table 3.4.

3.2.1.1 Small and Medium Enterprises across the Regions in Nigeria

The statistics from SMEDAN about the number of SMEs in Nigeria have been subdivided in accordance with the six geo-political zones in the country. The zones are: North Central (NC), North East (NE), North West (NW), South East (SE), South West (SW) and South South (SS). In this regards, these firms were grouped according to the number of employees as shown in Table 3.5. Further analysis of the data as presented in Fig. 3.1 and 3.2 shows that the South Western region has the highest number of both small and medium firms across the nation and similarly the North Eastern region returned the lowest number of these firms in the country. When Nigeria
Table 3.4: MSME in Nigeria

Source: http://www.boi.ng/smedefinition/ downloaded on 15/08/2017

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Number of Employees</th>
<th>Total Asset (N' Million)</th>
<th>Annual Turnover (N' Million)</th>
<th>Loan Amount (N' Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>≤ 10</td>
<td>≤ 5</td>
<td>≤ 20</td>
<td>≤ 10</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 11 ≤ 50</td>
<td>&gt; 5 ≤ 100</td>
<td>≤ 100</td>
<td>&gt; 10 ≤ 100</td>
</tr>
<tr>
<td>Medium</td>
<td>&gt; 51 ≤ 200</td>
<td>&gt; 100 ≤ 500</td>
<td>≤ 500</td>
<td>&gt; 100 ≤ 500</td>
</tr>
</tbody>
</table>

is subdivided into two, that is North and South, the Southern region has a total of 57.10% and 55.99% of the small and medium sized companies respectively, as against 42.90% and 44.01% of the small and medium firms respectively from the Northern region.

Table 3.5: Regional grouping of the Number of Small and Medium Enterprises in Nigeria

Source: Data from www.smedan.gov.ng/index.php/downloads.html downloaded on 15/08/2017, Table by Author

<table>
<thead>
<tr>
<th>Region</th>
<th>Employment size (10 - 49)</th>
<th>Employment size (50 - 199)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Proportion</td>
</tr>
<tr>
<td>NC</td>
<td>2960.00</td>
<td>13.92%</td>
<td>91.87</td>
</tr>
<tr>
<td>NE</td>
<td>1480.00</td>
<td>6.96%</td>
<td>91.47</td>
</tr>
<tr>
<td>NW</td>
<td>4682.00</td>
<td>22.02%</td>
<td>93.45</td>
</tr>
<tr>
<td>SE</td>
<td>2350.00</td>
<td>11.05%</td>
<td>93.25</td>
</tr>
<tr>
<td>SW</td>
<td>6928.00</td>
<td>32.58%</td>
<td>92.67</td>
</tr>
<tr>
<td>SS</td>
<td>2864.00</td>
<td>13.47%</td>
<td>93.23</td>
</tr>
<tr>
<td>Total</td>
<td>21264.00</td>
<td>100.00%</td>
<td>92.78</td>
</tr>
</tbody>
</table>

Figure 3.1: Small Enterprises in Nigeria
3.2.1.2 MSMEs Penetrations across major Sectors in Nigeria

Another analyses about the SMEs in Nigeria shows the statistical data of the penetrations among sectors in Nigeria as presented in Table 3.6 where number of businesses generated by the MSMEs are placed side by side with the number of employments that these businesses were able to return. These were considered among main sectors that drive the economy in Nigeria. The sharp increase in businesses in this table as against the previous tables is due to inclusion of the micro firms or companies in the analyses. Hence, micro companies takes about 99.8% of the MSMEs firms across Nigeria. It is also obviously seen that the wholesale and retail sector, which include repair of motor vehicles and household goods has the highest number of businesses cum employments, which is around 50% across the nation. This further shows that penetrations of this sector might have been because formal education is not mostly needed to own or work in this sector. This is in contrast to the educational and the health and social worker sectors that returned less than 1% of both businesses and employments as formal education, qualification and/or training is essential to work or own businesses in this sector. Also, in many of the sectors, the number of enterprises are more than the people engaged. This is in contrast with what is available in the developed countries. The reason for this is because many of these enterprises are sole ownership and are single handedly handling their businesses. This is negative to the advancement of the business because if these owners become incapacitated due to illness or death, such firms will likewise collapse.
Table 3.6: Enterprises and Employees through MSMEs in Nigeria


<table>
<thead>
<tr>
<th>Sectors</th>
<th>Enterprises</th>
<th></th>
<th>Employees</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2,633,041</td>
<td>15.70%</td>
<td>3,256,159</td>
<td>20.82%</td>
<td>5,889,200</td>
<td>18.20%</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>27,365</td>
<td>0.20%</td>
<td>30,548</td>
<td>0.2%</td>
<td>57,913</td>
<td>0.20%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2,831,642</td>
<td>16.90%</td>
<td>2,629,630</td>
<td>16.81%</td>
<td>5,461,272</td>
<td>16.90%</td>
</tr>
<tr>
<td>Construction</td>
<td>556,133</td>
<td>3.30%</td>
<td>449,785</td>
<td>2.88%</td>
<td>1,005,918</td>
<td>3.10%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade, Repair of Motor Vehicles and household goods</td>
<td>8,884,265</td>
<td>53.10%</td>
<td>7,748,316</td>
<td>49.54%</td>
<td>16,632,581</td>
<td>51.40%</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>300,324</td>
<td>1.80%</td>
<td>299,699</td>
<td>1.92%</td>
<td>600,023</td>
<td>1.90%</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>635,203</td>
<td>3.80%</td>
<td>520,980</td>
<td>3.33%</td>
<td>1,156,183</td>
<td>3.60%</td>
</tr>
<tr>
<td>Real estate, Renting and business activities</td>
<td>210,115</td>
<td>1.30%</td>
<td>186,661</td>
<td>1.19%</td>
<td>396,776</td>
<td>1.20%</td>
</tr>
<tr>
<td>Education</td>
<td>33,259</td>
<td>0.20%</td>
<td>37,324</td>
<td>0.24%</td>
<td>70,583</td>
<td>0.20%</td>
</tr>
<tr>
<td>Health and social work</td>
<td>12,712</td>
<td>0.10%</td>
<td>6,339</td>
<td>0.03%</td>
<td>19,051</td>
<td>0.10%</td>
</tr>
<tr>
<td>Other community, social &amp; personal service activities</td>
<td>609,887</td>
<td>3.60%</td>
<td>476,020</td>
<td>3.04%</td>
<td>1,085,907</td>
<td>3.40%</td>
</tr>
<tr>
<td>Total</td>
<td>16,733,946</td>
<td>100%</td>
<td>15,641,461</td>
<td>100%</td>
<td>32,375,407</td>
<td>100%</td>
</tr>
</tbody>
</table>
3.2.2 SMEs in Portugal

According to the statistical values published by the Instituto Nacional De Estatistica (INE) in March 2016, in reference to the Portuguese non-financial enterprises in 2014, a total of 1,127,317 (One Million, One Hundred and Twenty-Seven Thousand, Three Hundred and Seventeen) represents up to 2.7% increase from the previous year. Further breakdown of these figures, shows that 1,126,344 (One Million, One Hundred and Twenty-Six Thousand, Three Hundred and Forty-Four) which is about 99% represent the existing SMEs while 973 (0.01%) represent large industries. Also, SMEs provide at least 80% of total employment of the non financial enterprises and have more than 60% of the gross value added (GVA) (Commission, 2014). The 2010 Portuguese Financial crisis led to a lot of companies closing up and the rate of unemployment increasing. Between 2008 and 2013, about 350000 jobs were lost representing a total of 15% of the total SME in 2008. This caused a reduction in the number of SMEs and also the value added to the county’s economy. In spite of this, the employment generated by SMEs still stand at 79% and the value added was 66% (Commission, 2014). SMEs accounted for 79% of Portugal’s employment and 66% of value added. Micro enterprises was the vast majority of firms in Portugal (95.4%) and provided more than 40% of private jobs. SMEs are present in different sectors of the economy and their performance varies. Water supply and sewage and the accommodation and food services sectors expanded. Value added generated by SMEs in accommodation and food services grew by about 20% between the period of 2009 and 2013. This increase came about as a result of high number if self-employment initiatives for young entrepreneurs with good management skill, as well as efforts to fight fraud and tax evasion. On the contrary, in the information and communication sector, the value added by SMEs and large firms fells drastically by around 11% due to higher operating margins.

Regardless of the harsh economic environment to the SMEs in 2013, it is observed that at least 2.4 new businesses were set up for everyone that closed in Portugal during the period. There are about 35,396 (Thirty-Five Thousand, Three Hundred and Ninety-Six) companies created representing a 12.8% increase over the previous year. This growth was stable and witnessed in all sectors all through the year, with the exception of electricity, gas and water. Most new businesses were created in the services sector (accounting for almost one third of all new firms), trade (16%) and accommodation and food. Table 3.7 shows the SMEs basic figures estimates for 2015 (Commission, 2016).
Table 3.7: SMEs basic figures estimates for 2015

<table>
<thead>
<tr>
<th>Size</th>
<th>Portugal</th>
<th>Number</th>
<th>Proportion</th>
<th>EU-28</th>
<th>Number</th>
<th>Proportion</th>
<th>Portugal</th>
<th>Value Added</th>
<th>EU-28</th>
<th>Proportion</th>
<th>Portugal</th>
<th>Proportion</th>
<th>EU-28</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>746 474</td>
<td>95.20%</td>
<td>92.80%</td>
<td>1 218 660</td>
<td>41.30%</td>
<td>29.50%</td>
<td>16.90</td>
<td>23.80%</td>
<td>21.20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>31 921</td>
<td>4.10%</td>
<td>6.0%</td>
<td>607 090</td>
<td>20.60%</td>
<td>20.20%</td>
<td>16.10</td>
<td>22.80%</td>
<td>18.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-sized</td>
<td>4 912</td>
<td>0.60%</td>
<td>1.00%</td>
<td>478 852</td>
<td>16.20%</td>
<td>17.00%</td>
<td>15.90</td>
<td>22.50%</td>
<td>18.20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs</td>
<td>783 307</td>
<td>99.90%</td>
<td>99.80%</td>
<td>2 304 602</td>
<td>78.10%</td>
<td>66.80%</td>
<td>48.90</td>
<td>69.00%</td>
<td>57.40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>757</td>
<td>0.10%</td>
<td>0.20%</td>
<td>646 090</td>
<td>21.90%</td>
<td>33.20%</td>
<td>22.00</td>
<td>21.00%</td>
<td>42.60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>784 064</td>
<td>100%</td>
<td>100%</td>
<td>2 895 692</td>
<td>100%</td>
<td>100%</td>
<td>71.00</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.3 Agencies and Associations for SMEs in Nigeria

The list of various groups, associations, government agencies and programs for the purpose of developing SMEs in Nigeria is somewhat endless. Thus this section only presented those that can be called main SMEs associations, supporting and coordinating agencies in Nigeria.

3.3.1 Manufacturers Association of Nigeria (MAN)

MAN was formed by General Yakubu Gowon’s government in 1971, shortly after the end of 30 month civil war that ravaged the country from late 1960s. It was established as a national industrial association to perform important roles on behalf of its members. As of today, MAN is serving and representing over 2,500 manufacturing companies within the private sector of Nigerian economy (Olufisayo, 2011). The functions of this organization include:

- Encouraging high standard of quality for member’s products through provision of advice, as well as collection and circulation of useful information;
- Provides the manufacturers opportunities to influence and formulate general or government policy, with respect to the industrial matters;
- Encouraging Nigerians and foreign consumers to patronage made in Nigerian products;
- Provision of information on social, legal, industrial, technical matters and training to the manufacturers in the country.

MAN also operate under various sectoral groups that cut across many products, good and services. The list of sectoral groups includes:

- Basic metal, iron and steel, and fabricated metal products;
- MAN export group;
- Food, Beverages and Tobacco;
- Chemicals and pharmaceutical;
- Domestic and industrial plastic, rubber and foam;
- Pulp, paper and paper products, printing and publishing;
- Electrical and electronics;
- Textile, weaving, apparel, carpet, leather and leather footwear;
- Wood and wood products including furniture;
- Non-metallic mineral products;
3.3 Agencies and Associations for SMEs in Nigeria

- Motor vehicle’ and miscellaneous Assembly;

These sectors simply covered all needful products for the household items to the industrial needs (Olufisayo, 2011; Hub, 2013).

3.3.2 Small Scale Industries Credit Scheme (SSICS)

As part of the palliative measures to cushion the effect of 30 months civil war on the populace, the then Federal Military government in 1971 established the Small Industries Development Program tagged Small Industries Credit Fund (SICF), with the main objective of providing financial and technical support for the SMEs. It was later launched as SSICS, which was part of the National Development Plan (NDP) between 1975 and 1980. The scheme was designed by the Federal government, such that capital were made available to the entrepreneurs, mainly the SMEs through the States’ Ministry of Industry, Trade and Co-operatives. Unfortunately, the scheme recorded a very limited success because of dearth of executives manpower to monitor and supervise projects, which led to un-executable project been funded, thereby making repayment impossible (Sanusi, 2003).

3.3.3 National Association of Small And Medium Enterprises (NASME)

NASME was registered in 1996 as a Business Membership Organization (BMO) and devoted to promoting and coordinating growth and development of Micro Small and Medium Enterprises (MSME) alongside with capacity building, networking, and policy advocating of its member, which operates within the Nigerian economy. Unlike MAN that was established by Nigerian government, NASME is jointly founded by the promoters of MSMEs and some related agencies of the Nigerian government, including Bank of Industry (BOI), which serves to coordinate the activities of MSME by interacting with local and foreign organizations whose services are very important to the growth and development of MSMEs. Unfortunately, organizations under the umbrella of NASME still face challenge of limited support in the macroeconomic environment on daily basis (Olufisayo, 2011).

3.3.4 Nigerian Association of Chambers Of Commerce, Industry, Mines and Agriculture (NACCIMA)

The first chamber of commerce in Nigeria was founded in 1888, which was known as Lagos Chamber of Commerce, while the current umbrella body of all the chambers of commerce in Nigeria, Nigerian Association of Chambers Of Commerce, Industry, Mines and Agriculture (NACCIMA) was founded in 1960. It was established as a voluntary association of industrialists, trade groups, manufacturers, merchants, financiers, farmers, mines with network that allow them to fulfill their set objectives, which is to improve, protect and promote business environment for macro and micro benefits. The functions or roles of NACCIMA includes:
• Through lawful means, NACCIMA protects, promotes, and develop of all matters that affect mines, industry as well as other form of private economic activities;
• Contributes immensely to the economic, political and social development of Nigeria;
• It assist in the provision of opportunities and a network of national and international business contacts to her members;
• It considers and scrutinizes legislative and other measures affecting members in Nigeria;
• It also encourages development and orderly expansion of all segment of economy.

3.3.5 Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria was established by the SMEDAN Act of 2003 to promote the development of the Micro, Small and Medium (MSME) sector of the Nigeria Economy. The Agency is positioned as an all encompassing destination for MSME Development. Micro Enterprises are included in the client of the Agency since they form the bedrock for SMEs. SMEDAN was established in order to have a structured and efficient micro, small and medium enterprise sector that will enhance sustainable economic development of Nigeria. SMEDAN is also saddled with the responsibility of facilitating access of micro, small and medium entrepreneurs and investors to all resources needed for their growth and development. Poverty which is a bane to every society can be countered if SMEs are adequately funded and developed and by this an increase in SMEs will bring about a great reduction in poverty thereby helping the economy with growth and development.

3.3.6 National Poverty Eradication Program (NAPEP)

This body was established by the Nigerian government at the turn of the new millennium, when the country return to civil rule, with the sole aim of reducing absolute poverty. It was designed to replace the Poverty Alleviation Program (PAP), which was a similar program established under the military rule. NAPEP and NAPEC (National Poverty Eradication Council) jointly oversee and coordinate poverty reduction activities of the relevant Ministries Department and Agencies (MDAs). The main goals of NAPEP include training of youths in various vocational trades, create employment mostly in the automobile industry, support internship placement in the form of mandatory attachment and to support micro credit for SMEs. Thus, the program is sub-divided into four schemes which are:

1. Youth Empowerment Scheme (YES) deals with enterprise promotion, productivity improvement, technology development, capacity acquisition, credit delivery, and mandatory attachment;
2. Rural Infrastructure Development Scheme (RIDS) which deals with the provision of potable and irrigation water, transport (rural and urban), rural energy and power support;
3. Social Welfare Service Scheme (SOWESS) which deals with special education, primary health care services, establishment and maintenance of recreational centres, public awareness facilities, youth and student hostel development, environmental protection facilities, food security provisions, micro and macro credits delivery, rural telecommunications facilities, provision of mass transit, and maintenance culture; and

4. Natural Resource Development and Conservation Scheme (NRDCS) this scheme deals with controlling and conservation of land and space (reclaimed land beaches, etc) harnessing of the solid mineral resources, agricultural, water, mostly for the convenient and effective utilization by small-scale operators and the immediate community

Though it is believed that the program is a success based on the statistics released in 2008, where about 130,000 youths have been trained through the program and another 216,000 have been engaged in businesses formed through the program, but many revealed that the bulk of the beneficiaries were not poor.

3.3.7 Nigerian Employers Consultative Association (NECA)

NECA was formed in 1957 few years before the Nigerian independence, as an organization of employers association in Nigeria with membership drawn from public and private sector. The membership structure include:

1. Ordinary Members are organizations or individual companies that are involved in economic or business activities such as transport, consultancy, manufacturing, finance, distribution, mining, retailing, which employed a minimum of 5 workers. These are mainly members from the private sector and form the bulk of NECA members;

2. Affiliate Members comprises of the industrial groups, industrial/sectoral employers’ association and trade union. These members are grouped into either functional, sectoral or geographical groups on the basis of common their interest, which will provide flexibility and effectiveness within their ranks. For instance, members within an industrial/commercial location or a state are placed under geographical groups to attend to issues of common interest.

The roles performs by NECA in Nigeria include:

- Encouraging members to pay equitable rates in salary and wages to their employees;
- It influences, modifies, promotes or seek to repeal bills or laws and other resources that are affecting or may affect their members;
- It encourages development of employees through technical and other forms of education;
- It assists to maintain and promote good relationship between the employers and the employees.
3.3.8 Micro Finance Institutions (MFIS)

The origin of MFIS can be traced to informal means and ways of saving money and credit facilities among many tribes of Nigeria. This is made possible by belonging to a group that provide credit services for her members through the money they contributed. For instance the Yorubas in the western Nigeria has 'esusu' or 'ajo', while in the Eastern part of the country, it is known as 'etoto' and it is called 'adashi' in the north (Anyawu, 2004). The mode of operation is the same irrespective of the part of the country, credits is made available to members from the money contributed at agreed interest rate and repayment plan. However, there is no means of forcing defaulting member(s) to repay, thereby making it impossible for other members to benefit from the program. MFIS therefore serve as the formal means of advancing credit facilities to small businesses to meet the credit needs of the rural and urban poor, artisans like petty traders, farmers, vulcaniser and their likes (Olufisayo, 2011). To ensure that these institutions are strong enough CBN gave directive for the recapitalization of the MFIS, to meet the guidelines and the set objectives. Despite the CBN intervention, it is still very obvious that MFIS have not been able to reach a great percentage of poor people across the nation (Olufisayo, 2011). The main objectives of the MFIS are summarized as follows (Anyawu, 2004):

- Poverty eradication by providing income for the purpose of microfinance and skill acquisition development;
- Promotion of sustainable livelihood by empowering rural responsive banking methods as well as building community capabilities for creating wealth among enterprising poor people;
- Improvement of the socio-economic lives of women, mostly those in the rural areas by providing health care service, adult literacy, girl child education, skill acquisition and loan assistance.

3.3.9 Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

This scheme was established in 2001 was recognized by the government of the need to improve the performance of SMEs through equity capital. It was instituted in response to the federal government’s concern and policy measures for the promotion of small and medium enterprises as vehicles for rapid industrialization, sustainable economic growth and development, poverty alleviation and employment generation. (Eniola, 2014; Anyawu, 2003). SMEEIS was introduced to make access to cheap sources of fund possible. It is a fund pooled together by the participating banks with the objective of: (Olufisayo, 2011; Anochie and Ude, 2015)

- Easing the flow of funds for the establishment of new and viable small and medium industrial (SMI) projects;
- Providing financial, advisory, technical and managerial support;
- Reduction and Elimination of the burden of interest and the financial charges for the entrepreneurs;
3.3 Agencies and Associations for SMEs in Nigeria

- Stimulating economic growth through evolution of local technology for capable and suitable Nigerians;
- Ensuring output expansion, income redistribution and productivity of intermediate goods meant to strengthen inter and intra-industrial linkages;
- To generate employment opportunities.

The key stakeholders of SMEEIS are the: (Eniola, 2014; Ughulu, 2007; Uremadu, 2014)

1. Federal Government;
2. the Central Bank;
3. the Banker’s Committee;
4. the Securities and Exchange Commission (SEC);
5. Independent Fund Managers.

By the middle of 2009, a total sum of Twenty-Eight Billion, Two Hundred and Four Million, and Seventy-Eight Thousand, Seven Hundred and Forty-Six Naira was set aside by banks for the SMEEIS (Eniola, 2014).

Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS) This is another intervention scheme established in May 2010, to provide guarantee cover for loans advanced to the SMEs by banks. It is also intended to further complement SMEEIS in channeling funds to the real sector of the economy. In this regard a bank would be compensated under the scheme on the condition that it extends credit to SMEs (Eniola, 2014; Abdullahi et al., 2015) The objectives of the scheme are as follows:

- The scheme is to provide input for the industrial sector on a sustainable basis, provision of employment, increase output, ensure revenue base diversity, as well as increase foreign exchange earnings;
- Provides guarantees for loan facilities from bank for the SMEs and manufacturers, which fast-track development of the manufacturing SMEs of the nations’ economy;
- Pace setting for the industrialization of the Nigerian economy;
- Increase access to loan facilities by promoters of SMEs and the manufacturers.

In an effort to unlock the tight credit market in Nigeria and improve credit to the real sector, the executives of the Central Bank of Nigeria (CBN) in 2010 approved the establishment of a N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), to promote access to credit by manufacturers and SMEs in Nigeria. The Bank of Industry (BOI) will manage the fund, while development finance institutions and all deposit money banks (DMB) the participating bodies in the scheme (Eniola, 2014).
3.3.10 **Youth Enterprise with Innovation in Nigeria (Youwin)**

One of the most recent government intervention for the SMEs empowerment was launched in 2011, by the immediate past Nigeria government tagged “Youwin” which is the acronym for Youth Enterprise with Innovation in Nigeria. The program was executed on behalf of the government by four federal ministries which are; Ministry of Youth Development, Ministry of Communication and Technology, Ministry of Women Affairs and the Ministry of Finance. The government projection about the program is to empower 3600 entrepreneurs across the nation in the first phase, by providing the financial assistance that will enable these small businesses to take off and flourish (Momah, 2013). To achieve these, funds were allocated for the program from the national budget, but the general perspective of Nigerians is that the funds injected into the program does not in any way commensurate with the acclaimed success as it is difficult to point at any entrepreneur that was empowered through the program.

Other Institutions were also established for the purpose of financing SME’s in Nigeria. Nigerian Industrial Development Bank (NIDB) was reconstructed in 2001 and Nigerian Bank for Commerce and Industry (NBIC) was merged with National Economic Reconstruction Fund (NERFUND) and the Bank of Industry (BOI) (Eniola, 2014).

Beside the inadequacy in government funding of the SMEs, difficulty in accessing bank loans by SMEs is another challenge facing the SMEs in Nigeria. Here the financial institution makes the processes of granting the loans so cumbersome and also set very high interest rates for those that were able to scale through the hurdles of applying or in other cases requesting for huge collateral from the entrepreneurs.

In spite of the laudable programs that had been embarked upon by the subsequent Government in the nation, much is still left to be done for achieving desired successes from the performance of SMEs. Poor funding still remain the bane of SMEs performance across the country as they have not been able to adequately perform their role in the economy. The statistics show that contribution of SMEs to the Gross Domestic Product (GDP) in Nigeria still remain very low which is about 5% (Gbandi and Amissah, 2014; Eniola, 2014).

### 3.4 Agencies and Associations for SMEs in Portugal

In Portugal, there are agencies formed by government which are supporting the SMEs operations, performance and development. Similarly, there are organizations and associations formed by companies or group of individuals with various roles in supporting the SMEs.

#### 3.4.1 Portuguese Agency of Support for Small and Medium Size Enterprises and Innovation (IAPMEI)

IAPMEI was established in 1975 under the Ministry of Economy and Employment to promote competitiveness and business growth through economic polices aimed at a micro, SME’s, which will strengthen innovation, entrepreneurship and business investment. development and innovation
through the implementation of policy measures aiming at strengthening enterprise competitiveness and productivity (Alvarez; IAP).

The roles of IAPMEI include:

- promotion of both technological and organizational innovation in SMEs;
- Promotion of private investment;
- Assist SMEs to have better access to financial mechanism (business angels, special loans, venture capital);
- Assist in information dissemination for businesses;
- Promoting vocational training for the SMEs.

IAPMEI also assist in strengthening the micro, SMEs drivers of competitiveness both internally and externally.

IAPMEI supports SMEs in developing their businesses through direct and personalized support to entrepreneurs and top managers deployment strategies for innovation, growth and internationalization, and also in the training of their staff. IAPMEI encourage the development of entrepreneurial mindset in young people, as well as the creation of new knowledge based businesses with potential for innovation and growth. IAPMEI provide mentoring and financing solutions for startup and early stages. IAPMEI grant investment incentives, through non-refundable and refundable schemes, for projects based on innovation, modernization, resource qualification and international roll-out strategies. IAPMEI provide financing solutions adapted to the companies’ needs and assist SMEs in their growth, transmission, and corporate turnarounds, thus supporting critical stages in their life cycle.

3.4.2 Associação Nacional de Jovens Empresários (ANJE)

ANJE is translated as the National Association of Young Entrepreneurs was established in 1986 as a public interest association operating under private law. It is a platform for young Portuguese entrepreneurs and with aim of satisfying common interests as well as making her companies more dynamic. At inception in 1986, The nation economy was leveraged by public investment, which made private initiatives a welcome development across board and competitiveness relied heavily on the low costs of labour and devaluation of the currency. In its 30 years existence, ANJE currently boast of about 5,500 associates, 10 operating areas and numerous regional centers across the nation and the activities of ANJE include (Anj):

- Establishing business associations;
- support for entrepreneurship;
- Involved in business incubation and acceleration;
- Organize important and necessary regular training and professional qualification programs.
3.4.3 Agência Nacional de Inovação (ANI)

ANI is literally translated to English as National Innovation Agency, with mission to promote knowledge transfer by employing better and greater collaboration and cooperation between companies with educational institutions and research organizations. Thus ANI can be tagged "THE INNOVATION HUB" in Portugal that represents the upward alliance of the R&D, Innovation and technology-based entrepreneurship guidelines in the fields of science and economy, which main objective is to support knowledge transfer, mostly through more and better cooperation and coordination between firms and the Research and Innovation (R&I) institutions. Activities of ANI includes (Ani):

- Make business investment in R&I stronger;
- Enabling a social environment that assist technological entrepreneurship;
- Improves collaborative innovation;
- Influences and aids knowledge transfer to firms;
- ANI also assist in increasing the participation of the National S&T System and of national companies in the R&I international networks.

3.4.4 COTEC-Associação empresarial para a Inovação

COTEC is a form of business association for innovation, which was established in 2003 by the then president of Portugal, Mr. Jorge Sampaio with the support of the Prime Minister. It was fully backed by group of large firms of about 54 companies base in Portugal and operating internationally and contribute up to 18% of the nations’ GVA (Azevedo, 2007; Cardoso et al., 2008). It is a purely non-profit association of private companies. The main concern of COTEC in regards to the SME Network includes (Azevedo, 2007):

- COTEC encourages collaboration between the SMEs and the COTEC associate companies, which is centered on innovations and skills that will ensure the expansion of innovation markets and flourishing of business markets in Portugal and;
- Also to assist and encourage SMEs to gain public acknowledgement through innovation and proficient, the right market approach and the value creation skills that are important for making impact in the world market.
Chapter 4

Comparison of selected SMEs Supporting agencies in Nigeria and Portugal

4.1 Introduction

In this chapter the analyses of government agencies, organizations and associations that are involved in SMEs activities in Nigeria and Portugal are duly presented in accordance with their respective mission, service, sector and tools. This forms the bedrock for comparing between the selected agencies in the two countries and how this influences performance of enterprises under this category.

4.2 Analyses of Selected Agencies

(A) Manufacturers Association of Nigeria (MAN)

- Mission and Vision:
  The aim of MAN is to promote collaboratively with its members, other organs of the Organized Private Sector (OPS), the government and other stakeholders in the economy, an enabling environment for industrial development, growth prosperity of the society at large. The Manufacturing Association of Nigeria (MAN) is in collaboration with local and international organizations such as SMEDAN, Nigeria Association of Chamber for Commerce, Industry, Mines and Agriculture (NACCIMA), United Nations Industrial Development Organization (UNIDO).

- Sector
  MAN is diversified into different sectors of the economy and these cuts across many products and services.
  - Basic metal, iron and steel, and fabricated metal products;
- MAN export group;
- Food, Beverages and Tobacco;
- Chemicals and pharmaceutical;
- Domestic and industrial plastic, rubber and foam;
- Pulp, paper and paper products, printing and publishing;
- Electrical and electronics;
- Textile, weaving, apparel, carpet, leather and leather footwear;
- Wood and wood products including furniture;
- Non-metallic mineral products;
- Motor vehicle’ and miscellaneous Assembly.

- Services
  - This is divided into General and Consultancy Services
  
(a) The General services include:
  - Public Policy Advocacy
  - Monitoring and analyzing of government policies
  - Economic research and analysis
  - Preparation of memoranda on topical industrial and economic issues
  - Information dissemination
  - Liaison activities for members
  - Capacity building and manpower development
  - Promotion and organization of trade missions and exhibitions
  - Promotion of Made-in-Nigeria products
  - Reconciliation and harmonization of diverse interests of members
  - Specific intervention on members and sectoral problems
  - Business Consultancy:
  - Investment and financial advisory services
  - Local and international business linkages
  - Seminars and Conferences
  - Publications, which include:
    - MAN Information Brochure
    - Annual Report
    - Half-Yearly Economic Review
    - MAN News - a quarterly publication
    - Nigeria Industrial Directory
    - MAN Newsletter - a monthly publication
    - Information and Communication Technology-based Services
4.2 Analyses of Selected Agencies

(b) Consultancy Service includes:
- The primary target/client here is the SMEs. Services rendered are:
  - Business Development Services
  - In the area of Business Development Services, our focus is centered on identifying possible problems affecting SME’s by preparing a detailed technical due diligence report through review of their operations.
  - This report will encompass a diagnostic review and assessment of operation, Finance and Account, Human Resources, Technology, Sales and Marketing, Governance, Ownership and Management, Export Market Potentials, Strategies Compliance and Training.
  - Business Information Services: The range of information includes:
    - Sourcing of raw materials
    - Machinery and equipment
    - Markets, model business profiles
    - Legal/regulatory requirement for starting and operating business.
    - Information is available in both prints and electronic form
    - Provision of business clinic were problems are diagnosed and possible solution offered,
    - Market research for new investors and old clients intending to diversify their operations
    - Preparation of business plan for existing project of new investment
    - Provision of Financial Advisory services
    - Feasibility Report using COMFAR 111 Expert software produced by UNIDO

(B) Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)

- Mission and Vision
  To be revered as the pillar of business that supports the growth and development of private enterprise and initiative and also serve as the voice of Nigerian business ensuring an enabling business environment though policy advocacy and promoting growth and competitiveness of business through proper and prompt information dissemination, using modern technology comparable to the best universal standard of Chambers of Commerce and industry anywhere in the world.

- Sector
  Just like its name implies, NACCIMA is diversified into different sectors of the economy namely commerce, industry, mines and agriculture. They help promote and develop all matters that affect mines, industry and other forms of private economic activities, contributing immensely to the economic, political and social development
Comparison of selected SMEs Supporting agencies in Nigeria and Portugal

of Nigeria. It also considers and scrutinizes legislative and other measures affecting members in Nigeria. NACCIMA encourages the development and orderly expansion of all segments of the economy while assisting in the provision of opportunities and a network of national and international business contacts to her members.

- **Service**
  NACCIMA, in collaboration with the Center for International Private Enterprise (CIPE) Washington D.C started a few programs in support of the emerging market economy in the country since the late 80s. Some of these programs are public policy advocacy, Capacity Building Participation in the Legislative Process, Training for Journalists on Business and Economic Reporting and Watch-Dog Function on Economic Policies. NACCIMA also publishes and circulates newsletters, Business Agenda, Legislative Alert which has over the years proven to be veritable sources of information and ideas for government officials, local and foreign business operators and also the media.

(C) Portuguese Agency of Support for Small and Medium Size Enterprises and Innovation (IAP-MEI) is an agency saddled with the responsibility of promoting competitiveness and business growth through economic policies aimed at micro SMEs which will strengthen innovation, entrepreneurship and business investment.

- **Mission and Vision**
  To promote a competitive and business growth while ensuring the support for the design, implementation and evaluation of policies targeted at industrial activities, aimed at strengthening innovation, entrepreneurship and business investment in companies. The vision however, is to be a strategic partner for the innovation and growth of companies and the stakeholders.

The product and services delivered by this agency are as follows:

- Entrepreneurship and Innovation;
- Incentives and financing;
- Qualification and certification;
- Business support and training;
- Industrial licensing;
- Revitalization and transmission.

(D) Agencia National De Inovacao (ANI)

This is Portuguese National Innovation Agency, which is saddled with the responsibility of promoting the transfer of knowledge through a better cooperation between enterprises and the research and knowledge production institutions. Basically providing a collaboration link between the need and the want.
4.2 Analyses of Selected Agencies

4.2.1 Importance of Selected Agencies

The four selected agencies in the two countries were selected based on the following:

- They all focused on being an intermediary between the stakeholders and the SMEs, while helping them to achieve their purpose;
- Focuses on industries and industrial relationships;
- They are all strategic in their approach to achieving their respective set goals, which are basically interrelated;
- They are all formed by government, which make them to be ranked as government tools in dealing with SMEs and promoting their activities.

4.2.2 Graphical Representation of the Activities of Selected Agencies

For effective understanding of the four selected agencies from the two countries, Table 4.1 gives graphical information with regards to the; agency mission and vision, sector, service and tools.
### Table 4.1: Comparison between Nigeria and Portugal agencies

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Mission/Vision</th>
<th>Sector</th>
<th>Service</th>
<th>Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAN</td>
<td>Collaboration with other stakeholders for the promotion and growth of industries</td>
<td>Diversified</td>
<td>General and Consultancy Services</td>
<td>Communication, consultation and collaboration</td>
</tr>
<tr>
<td>NACCIMA</td>
<td>Supports and represents business in order to promote initiative and create an enabling environment</td>
<td>Commerce, industry, mines and agriculture</td>
<td>Public policy advocacy, capacity building, training</td>
<td>Business advocacy</td>
</tr>
<tr>
<td>IAPMEI</td>
<td>Promotion of competitiveness in order to create innovation and growth.</td>
<td>Diversified</td>
<td>Promoting competitiveness which will promote business growth and innovation</td>
<td>Management tool</td>
</tr>
<tr>
<td>ANI</td>
<td>Collaboration between enterprises in order to promote knowledge transfer</td>
<td>Diversified</td>
<td>Promoting the collaboration and transfer of knowledge</td>
<td>Research and Development/Innovation</td>
</tr>
</tbody>
</table>
Chapter 5

Discussion and Conclusions

5.1 Introduction

In this thesis, impact of the government agencies, associations and research institutes/universities on the SMEs and MSMEs activities have been looked into. These are the bodies that formed the fulcrum of the Global Innovation System (GIS), National Innovation Systems (NIS) and the RIS worldwide. But this work have been limited to the RIS and considerations was given to agencies, associations and institutes in Nigeria and Portugal. Also agencies were selected from the list of various agencies in the two countries and are analyzed based on four cardinal points that are important to their performance on the SMEs.

5.2 Discussion

These results shows that the four agencies selected in the two countries are adequately supporting, promoting and collaborating with the SMEs which is important for the growth of these sectors in the two countries.

Their respective mission and vision look interrelated and centers on assisting SMEs to achieve their organizational goals.

In term of sector, all the organizations in review are diversified in their activities and partnership with other agencies, associations and institutes as they are placed strategically to coordinate innovation activities and performances of other bodies and the SMEs.

In term of services, they render various various services which include general services, consultancy services, capacity building and knowledge/ technology transfer services, public policy and advocacy services and business growth and innovation services.

Lastly, the tools used by these bodies are varied one from another. For instance:

MAN depends on collaboration, consultation and communication where they incorporate and are in partnership with other bodies like SMEDAN, United Nations Industrial Development Organization (UNIDO) and other organizations.
**Discussion and Conclusions**

**NACCIMA** employs the tool called business and public advocacy. This they do by ensuring that they influence government polices and legislatures that can affect the performance of SMEs in Nigeria.

**IAPMEI** employ management tools which is important in their partnership with companies and entities as they also support the development of entrepreneurial capacities and innovative ideas and as well as the management of material and immaterial resources of companies.

**ANI**’s tools are research and development and Innovation (R&D&I), which are basic tools that promote growth of SME’s and startups in the country. They also employ technological transfer strategy which involves valorization of R&D&I through partner search.

It is worth noting to conclude involvement of these selected agencies in SME development and activities in the two countries open door for entrepreneurs and even the intending ones to a lot of benefits that will help in sustaining their business ventures.

### 5.3 Conclusion

In this work, efforts have been made to review numbers of work done that established relationship between innovations and SMEs as well as the importance of innovation management to the SME performance. Also, given that MSMEs definitions and activities is slightly varied across the countries and regions worldwide, brief analysis of this sector in the global perspectives was also presented. In addition the impart of RIS to the SMEs were also given, which is based on its definition and performance.

Furthermore, this thesis worked on SMEs in Nigeria and Portugal, which include a number of bodies that were established and formed to champion the course of SMEs in these countries. Also, some statistical data were presented, which gives the basic view of the penetrations of the SMEs in the two countries. Identification and analyzing of the relationship that exists between the agencies and associations and their role in helping SMEs to achieve the needed goals and objectives, were also carried out. Of these agencies, four were selected, that is two from each country and were thoroughly considered in various aspect based on their defined mission and vision, the services that they involved in and the tools for achieving the organizational objectives.

Finally, it can be concluded that SMEs success in the two countries largely depends on the performance of the agencies and associations that are tasked with the responsibility of providing enabling environments, supports and resources (including capitals probably in the form of loans) to the entrepreneurs and ensure compliance in form of monitoring of these startups, which will consequently impart positively on the economy of the two countries.

### 5.4 Future Work

Since this thesis is limited to innovation in SMEs, it make room for further work to be desired in the following respect:
5.4 Future Work

- Standardization in the SMEs, which may also focus on the activities in the two countries that were considered in this work or an expansive work that will incorporate continents of the world as each country and continents have their respective bodies responsible for this;

- Also, certification in SMEs in these two countries how they’re varied from one to the other and their point of agreement in the way it is achieved;

- Lastly, looking into the National Innovation System with reference to these two countries will be another valuable research area.
Discussion and Conclusions
Appendix A

Reviewed Materials

A.1 Materials on Innovation and SMEs

Reviewed materials on innovation and SMEs are presented in Table A.1

A.2 Materials on SMEs

Reviewed materials on SMEs are presented in Table A.2
Table A.1: Some of the reviewed materials on innovation and standardization

<table>
<thead>
<tr>
<th>Title</th>
<th>Authors</th>
<th>Countries examined</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>The standardization model of innovation; case of high technology enterprises (Fang et al., 2016)</td>
<td>Fang. F, Dickson. K, Wang. D</td>
<td>Focused on HTE in China</td>
<td>The paper attempts to understand and configure key innovation activities within a standards setting</td>
</tr>
<tr>
<td>Conceptual model for open innovation towards sharing in Indonesian SMEs (Rumanti et al., 2016)</td>
<td>Rumanti, A. A., Samadhi, T. M. A. A., Wiratmadja I. I.</td>
<td>Focused on SMEs in Indonesians</td>
<td>This paper looked into the important role that knowledge sharing in innovation among the SMEs and as well used open innovation to Optimize the results</td>
</tr>
<tr>
<td>Collective Intelligence for Evaluating Synergy in Collaborative Innovation (Altay and Kayakutlu, 2014)</td>
<td>Altay. A, Kayakutlu. G</td>
<td>Examines the Turkish SME industries</td>
<td>It proposes to present a synergy index as a multiplier of the innovation power of research partners to construct a successful collaboration</td>
</tr>
<tr>
<td>Relationship between cooperation networks and innovation performance of SMEs (Zeng et al., 2010)</td>
<td>S.X. Zeng, X.M. Xie, C.M. Tam</td>
<td>Examined Chinese Manufacturing SMEs</td>
<td>The paper discussed relationships between inter-firm cooperation, cooperation with research organizations, cooperation with intermediary institutions and the innovation performance in some selected Chinese firms, in which inter-firm cooperation returns the most positive results.</td>
</tr>
<tr>
<td>Standardization efforts: The relationship between knowledge dimensions, search processes and innovation outcomes</td>
<td>Xie, Z. J., Hall, J., McCarthy, I. P., Skitmore, M., Shen, L. Y.</td>
<td>Global considerations</td>
<td>This paper looked into impact of standardization efforts on knowledge search processes and the resulting innovation outcomes</td>
</tr>
<tr>
<td>Title</td>
<td>Authors</td>
<td>Countries examined</td>
<td>Purpose</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td>---------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Risk Management in Manufacturing SME’s in South Africa (Sunjka and Emwanu)</td>
<td>Sunjka, B.P Emwanu. B</td>
<td>Manufacturing Industries in South Africa</td>
<td>Using risk management to solve the problem faced by SMEs in the manufacturing industry. They are faced with external risks which are influenced by regulatory requirements, lack of skills and labour unrest.</td>
</tr>
<tr>
<td>SME brand building and management; An exploratory study (Spence and Essoussi, 2010)</td>
<td>Spence M. Essoussi, L. H.</td>
<td>Focused on companies around around the world</td>
<td>This paper proposes to assess brand identity, equity and brand management in SMEs. Using this to improve and develop SMEs in a competitive market.</td>
</tr>
<tr>
<td>The mediatory role of access to finance between finance awareness and SMEs performance in Nigeria (Shamsudeen et al., 2016)</td>
<td>Shamsudeen, K. Yeng Keat, O.O.I. Hassan, H.</td>
<td>Examines SMEs in a section of the Northern part of Nigeria</td>
<td>The paper discusses the effects of accessing finance on SMEs performance and finance awareness relationship in Nigeria, based on which survey was conducted in Sokoto state in the North-Western area of Nigeria.</td>
</tr>
<tr>
<td>Relationship between market penetration and SME performance in Nigeria (Alkasim et al., 2017)</td>
<td>Alkasim, B. S. Hilman, H. Bohari, A. M. B.</td>
<td>SME performance in Nigeria</td>
<td>This paper looked into hindering factors affecting SMEs performance in Nigeria and provided a definite framework for better impact of this sector in Nigeria economy.</td>
</tr>
<tr>
<td>The role of SME in the context of a country’s economy development (Iordache, 2012)</td>
<td>Iordache, M. C.</td>
<td>Global considerations</td>
<td>The focus of this paper is on conceptual analysis of SME in terms of their role in national economy and the main challenges of this sector in global perspective.</td>
</tr>
<tr>
<td>Effects of financing on performance of small and medium enterprises (SMEs) in Iraq (Harash et al., 2014)</td>
<td>Harash, E. Al-Timimi, S. Alsaadi, J.</td>
<td>focused on SMEs in Iraq</td>
<td>This work examined the effect of financing SMEs on their performance.</td>
</tr>
</tbody>
</table>
References

Agência nacional de inovação. URL http://ani.pt/en/who-we-are/.


REFERENCES


Jung Duk Lim. Regional innovation system and regional development : Survey and a korean case, 2006.


REFERENCES


Instituto Português da Qualidade. Management of research, development and innovation (rdi) rdi management system requirements, 2007.


J. O. Sanusi. Overview of government’s efforts in the development of smes and the emergence of small and medium industries equity investment scheme (smieis), 2003.


REFERENCES


