

Business houses and capitalist accumulation

Learning from the evolution of Nigeria's diversified private sector conglomerates in their use of discretionary political connections for both resource capture and solving market failures

Research Question

Nigeria suffers from low levels of industrialization and remains confounded by the dominance of extractives (oil and gas) and high levels of corruption. Only a few private companies, mainly commodity-based, diversified conglomerates, have reached a level close to their sector's productivity and competitiveness frontier. This research aims to investigate how regime proximity and rent seeking by the major diversified business groups has helped in their productivity dynamics.

Key Findings

Initial interviews and data collection have allowed the team to identify major conglomerates in Nigeria and their operations in different sectors. Conglomerates in extractive sector and non-extractive sector have used regime proximity in different ways with the latter being more inclined towards enhancing their operational strength.

Implications

Conglomerates have used regime proximity as a tool to generate formal and informal power and resources and resource sharing has at times led to productivity growth. However, this has also led to discretionary and 'cronyistic' concentration in many key sectors that will be difficult to control. The emergent pattern of their diversification and reinvestment incentives is currently being investigated.

Project Summary

This project in Nigeria maps the historical evolution, contemporary structure and productivity levels of key conglomerates. Based on the political settlements framework the project identifies the specific nature of state-business relations which allowed conglomerates to expand, diversify and maintain dominant positions in certain sectors. The overall contribution of the project is a detailed analysis of Nigeria's key conglomerates based in the extractive and non-extractive sectors and the evaluation of how regime

proximity was utilised by certain conglomerates to become productive. While some conglomerates have increased their industrial efficiency and continue to contribute to the overall goals of Nigerian industrial policy, others have stagnated over the years.

The delineation between productive and non-productive rents as used by the business sector in relation to different eras of Nigeria's governance is therefore a key contribution of this project.

Key research questions

- Is the evolution of Nigerian conglomerates linked to certain regimes?
- What kind of political settlements determine the expansion and diversification of key conglomerates?
- Why did certain conglomerates become productive whilst others continued to rely on non-productive rents?
- What are the policy implications for encouraging less corrupt and more productive business groups?

Methodology

Stage 1

Literature review and key informants interviews, plus identification of relevant business groups for inclusion in the study, based on net worth and political connections, as well as importance within the sectors where they operate and global or regional reach.

Stage 2

Collation and contextualisation of empirical data (Nigeria stock exchange, company reports) with primary and secondary literature.

Stage 3

Use a political settlement analysis of business groups to map and provide an overview of the contingent nature of state-business relations which could feed into a conclusion on what market failures were being solved through discretionary relationships and whether addressing these through policy is feasible.

Policy and programming implications

We can establish how emerging themes from the research impact the overall growth of the Nigerian economy. A first notable feature is that business groups in the extractive sector (oil and gas) differ from those in the non-oil sectors. Regime proximity in both sectors is a common denominator but structural features specific to the extractive economy inhibit efficiency of oil conglomerates. In contrast, non-oil conglomerates operate in diverse sectors; have varied levels of operational and organisational strengths. Of these, some conglomerates including those in the automotive sector have been successful and it is their strength which can be used as a lesson for establishing a model of productive rents in the Nigerian private sector.

Team members

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