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ECONOMIC CRISIS, STRUCTURAL ADJUSTMENT AND THE COPING STRATEGIES OF MANUFACTURERS IN KANO, NIGERIA

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♦ Preface

Nigeria's manufacturing sector has experienced major changes in production techniques, labour relations, marketing arrangements and management practices, which raise questions about the future of industrialization and the livelihoods of industrial employees. Despite the high industrial growth rates that accompanied the petroleum boom of the 1970s, value added remained low for a number of key industries, which were often protected by an overvalued currency, tariff barriers and state subsidies. The long recession and the economic stabilization programmes of the 1980s exposed the structural weaknesses of import-substitution industrialization, and forced manufacturers to devise a variety of coping and accumulation strategies to overcome the crisis. What these strategies are and their implications for industrial growth and sustainability constitute the subject of this discussion paper.

The study relies on government data, records of manufacturing companies and associations, as well as wide-ranging interviews of three groups of manufacturers — indigenous entrepreneurs, Levantine manufacturers and Western transnational corporations — to analyse entrepreneurial responses. By focusing on the dynamics of individual and collective corporate strategies, the study attempts to go beyond standard works that deal with the effects of adjustment on industry, which have often been concerned with technical issues: output growth, rates of investment or disinvestment, labour absorption and productivity, value added and industrial competitiveness. Instead, the author uses data derived from the coping strategies of the three groups of entrepreneurs to place the macro-economic and industrial sector indicators in perspective, as well as to comment on the changes and challenges confronting Nigerian industry today.

The first parts of the paper deal with conceptual issues and the history of entrepreneurship in Kano, the study site, which is the country's second industrial city and the northern region's leading commercial centre.

The study goes on to show that in the 1980s, foreign corporate manufacturers were present in all sub-sectors of manufacturing except wooden and metal furniture, and glass products. Levantine manufacturers were dominant in the plastic products sub-sector, as well as in the textiles, weaving, knitting and spinning sub-sectors, and they enjoyed varying levels of involvement in the production of a wide range of other products. Foreign and Levantine capital were clearly dominant in Kano's industrial sector. However, the indigenization decrees of the 1970s helped to promote indigenous entrepreneurship, which in the 1980s became well-entrenched in the sub-sectors of food, beverages, vegetable oil, metal and wooden furniture products, and soap, perfumes, toiletries and cosmetics. The light consumer goods sub-sectors, where much of the indigenous and Levantine capital is concentrated, registered very high rates of return in the 1970s and 1980s — no doubt aided by the existence of an oil boom-induced mass market for such goods. The study suggests that all three groups of manufacturers shared broadly similar performance levels — in terms of profitability and turnover — before the mid-1980s.

The government's ability to finance the import needs of industry came under considerable strain following the collapse of oil prices in the early 1980s. The paper discusses the nature of the emerging industrial crisis in the national and Kano contexts, as well as the sets of policies that were introduced under various stabilization and adjustment programmes. It highlights certain contradictory elements in the main adjustment programme of 1986 — such as the inflationary consequences for industry of large-scale repeated devaluations, and the tensions inherent in the goals of agricultural export promotion and the conservation of local resources for industrial use — which tended to undermine some of the benefits associated with the policy changes. In general, agro-allied industries, which were able to source raw materials locally, coped better under structural adjustment than did industries like motor vehicles, pharmaceuticals and chemicals that were wholly or largely dependent upon imported inputs. However, even these industries had to reckon with very high interest rates and a general decline in consumer spending power. Average capacity utilization levels stood at 45 per cent for the good performers and as low as 10 per cent for industries that had problems diversifying their sources of raw materials.

The rest of the paper provides a detailed empirical discussion of the various coping strategies of the manufacturers. This is divided into two sections, with the first examining strategies that are common to all three groups, and the second on practices that are specific to groups belonging to particular sub-sectors. These strategies are discussed under the headings of investment diversification and export promotion; rationalization of production and input use; changes in marketing, procurement and financial arrangements; changing managerial strategies and relations; and trends in informalization.

Most indigenous and Levantine manufacturers have a number of investment holdings, the most frequently mentioned being import trade, road haulage and real estate. None of the foreign corporate manufacturers surveyed had any interest outside of manufacturing. Several manufacturers, mostly indigenous or Levantine, also introduced new production lines in such emerging markets as cosmetics, food products and plastics, while others introduced new in-house production schemes for certain inputs. In general, the firms that introduced new production lines had some of the highest levels of capacity utilization, good sales returns and turnover, and relatively good profit margins. Despite the emphasis placed on export promotion by the reform programme, only 7 per cent of the firms surveyed reported producing goods for the export market.

All firms attempted to rationalize their production structures and use of inputs to overcome the constraints of raw material and foreign exchange shortages. Rationalization involved the retrenchment of workers, increasing the workload of labourers, and reducing the length of the working day and number of shifts to correspond to the availability of raw materials, in-house fabrication of spare parts, re-tuning of machinery and rehabilitation of old equipment. In addition, a number of innovative strategies were introduced in the areas of marketing, procurement and finance. These entailed new packaging, the reduction of the size and content of packages, discounts on bulk purchases, the opening of new sales points, intensive advertising, use of multiple bank accounts for foreign exchange transactions, and participation in the parallel foreign exchange market. Changes were also introduced in

management systems: foreign companies sought an increase in their expatriate quota to recruit overseas managers with developing country experience; and some Levantine and indigenous entrepreneurs recruited family members with university education as managers. A trend towards decentralization and flexibility in decision-making is discernible for many relatively successful firms.

Finally, the paper examines collective corporate strategies. This took two forms in the Kano context. The first relates to the efforts by entrepreneurs to act collectively as an interest group. The principal business associations, the Manufacturers' Association of Nigeria and the Kano Chamber of Commerce, Industry, Mines and Agriculture closely monitor trends in the economy, comment on various aspects of the reform programme, and often lobby the state and federal governments to tailor the adjustment programme to the needs of industry. The second collective type of response concerns the involvement of firms in community activities, which are seen as a source of legitimacy in an environment where the lines between business and philanthropy, and public and private interests are sometimes blurred. The study shows that foreign corporate enterprises are much more active than Levantines and indigenous entrepreneurs in the work of the business associations, whereas the indigenous entrepreneurs dominate the community activities.

The study concludes that a process of de-industrialization is clearly discernible in Nigeria, but that this is not an inevitable outcome, and that industrial decline is not uniform across the manufacturing sector. A lot will depend upon whether the macro-policy environment regains some sense of stability and whether effective institutional support could be provided to industries that have shown encouraging signs of adaptability against all the odds.

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♦ Abbreviations and Acronyms

CBN	Central Bank of Nigeria
CFAO	Compagnie française de l'Afrique Occidentale
FIIRO	Federal Institute of Industrial Research
FOS	Federal Office of Statistics
GDP	gross domestic product
IOU	"I owe you"
KACCIMA	Kano Chamber of Commerce, Industry, Mines and Agriculture
KSF	Kano State Foundation
KSIP	Kano State Investment and Property Company
LBA	licensed buying agent
MAN	Manufacturers Association of Nigeria
MNC	multinational companies
N	naira
NACCIMA	National Association for Chambers of Commerce, Industry, Mines and Agriculture
NECA	Nigerian Employers' Consultative Association
NERFUND	National Economic Reconstruction Fund
NEXIM	Nigerian Export-Import Bank
NNDC	New Nigerian Development Corporation
PRODA	Project Development Agency
PZ	Patterson Zochonis
R&D	research and development
SAP	structural adjustment programme
SCOA	Société commerciale de l'Ouest africain
UAC	United Africa Company
UNCTAD	United Nations Conference on Trade and Development
UTC	United Trading Company

1. INTRODUCTION

Nigerian industry is undergoing major restructuring in production, marketing and management practices, the outcome of which may have serious implications for the survival of industry itself and the livelihoods of those who work in it. Like many developing countries that attempted to industrialize in the 1960s and 1970s, Nigerian industrialization has been heavily import-dependent and largely protected by an overvalued currency, tariff barriers and, in some cases, state subsidies. Thus even before the onset of the current economic crisis, the industrial sector suffered from very serious structural imbalances. These imbalances are manifested in the linkages between the various sub-sectors of industry, particularly the consumer, intermediate and capital goods industries, with the bulk of manufacturing capacity concentrated in the consumer goods sector. The intermediate goods sector is relatively underdeveloped and the capital goods sector almost non-existent. Factories depend for their full operation on the importation of essential raw materials, spare parts and machinery (Teriba and Kayode, 1977; Bangura et al., 1984; Olukoshi, 1991; The Odama Report, 1983; Forrest, 1993). The implications of this heavy import dependence are that, for all the rapid growth of industrial production in the 1970s, value added has been generally low in a large number of industries, and backward and forward linkages with the rest of the economy have been few and far between. The oil crisis in the early 1980s and the sharp reductions in foreign exchange accruing to the federal government greatly exposed these major weaknesses in industrialization.

This paper examines the ways in which major manufacturing groups, namely indigenous entrepreneurs, transnational corporations and Levantine companies, have coped with the crisis and programmes of stabilization and structural adjustment. It seeks to identify patterns of entrepreneurial response to the changing structure of opportunities in the macro-economy and the industrial sector specifically. It explores, in turn, the question of whether there have been new developments in industrial economic behaviour and the social organization of firms, and traces out the implications of entrepreneurial coping strategies for industrial development.

2. CONCEPTUAL ISSUES, METHODOLOGY AND STUDY SITE

The range of responses that manufacturers are likely to adopt as a result of economic crisis and stabilization policies will vary considerably across industries and among entrepreneurial groups. Coping strategies are likely to reflect, in part, the varying capacities and locations of entrepreneurs in the industrial sector. Industries that are relatively oriented towards the export market and whose production structures facilitate greater use of local inputs

are likely to show greater capacity for withstanding the crisis and exploiting the changing structure of incentives than are less-diversified industries that are highly dependent upon imports. Industries producing goods that have relatively high domestic demand are also likely to be relatively less seriously affected by the macro-economic changes than are those with a restricted domestic market. However, while strategies of entrepreneurs may differ in these opposing sets of industries, a common pattern of coping is also likely to emerge among all entrepreneurs because of their common history of high import dependence and low export orientation. While entrepreneurs may attempt to source their inputs locally or orient their strategies towards the export market, it cannot be assumed that all will be able to do so successfully. Also, some manufacturers may find it attractive to invest in new areas of the economy, such as financial services and export agriculture, both of which have become highly profitable as a result of the liberalization of exchange rates and trade transactions. While diversification may not necessarily mean the abandonment of the manufacturing sector by those who choose to invest in new ventures, it may entail a scaling down of their commitments in manufacturing. For entrepreneurs who decide to remain in manufacturing against all the odds, their industrial relations practices may be radically restructured. Indeed, in the context of reduced industrial capacity, constraints in abilities to exploit export opportunities and technological restructuring, all entrepreneurs are likely to rely heavily upon strategies based on rationalization of their labour force to stay in business.

In the face of serious contractions in aggregate demand, manufacturers may resort to market innovations to enable them retain their market share or conquer new markets. Families may also become more or less involved in the management of enterprises. Use of family members in management is likely to be more prevalent among indigenous and Levantine entrepreneurs than among transnational companies. All manufacturers may find it useful to link up with like-minded groups to press the state to mitigate some of the adverse consequences of policy changes. Participation rates in such collective efforts are, however, likely to vary among groups depending upon the way entrepreneurs have diversified their business activities and the nature of their links with the state.

In this study, a "manufacturer" is someone who has made major investments in direct, formal manufacturing activities, or who manages on a day to day basis manufacturing enterprises set up by them or by others. It is a class which, in our study site, Kano, is made up of three main sub-groups: foreign corporate investors/managers who have established subsidiaries that are run by professional staff and answerable to head offices overseas; their indigenous Nigerian counterparts (investors as well as managers); and a large number of Levantine/Asian business people, some with a long history of association with the Kano area.

Taken as a group, the activities of the members of Kano's manufacturers cut across the range of small-, medium- and large-scale factory production, although the bulk of their output consists of consumer goods for the local Kano and wider Nigerian and West African markets. The Kano manufacturers are almost exclusively male, the only female entrepreneur being Rajaa Khalil of Zam Zam Industries Limited, a producer of orange drinks. The practice of big investors participating in the day to day running

of factories is quite common in Kano, especially among the Levantine/Asian and indigenous business groups. Foreign corporate enterprises, however, tend to rely on expatriate and middle-level indigenous professional managers. In Kano, among indigenous and Levantine entrepreneurs, the family and the community have always been important sources of managerial capacity and business development. Mediated by the ideology of Islam, the family and the community are apparently ranked highly even where these may appear to be in direct conflict with the profit motive. Indeed, some of the indigenous manufacturers are as famous for the number of factories they own as for their sponsorship of the construction of neighborhood mosques and Koranic schools, as well as for the sponsorship of neighbourhood families, including distant relations, on the annual pilgrimage to Mecca — an important factor in their quest for legitimacy.

This study is based upon material obtained primarily through interviews; direct observation of activities in factories in Kano metropolis, and within households and clubs; as well as by the administration of questionnaires. The information was supplemented with published academic materials and government data. A total of 100 manufacturers made up of 20 foreign corporate managers, 40 Levantines/Asians and 40 indigenous investors and managers were interviewed formally and informally over a six month period (see table 1). In selecting the manufacturers, we were concerned to ensure that the complex character of the three groups was reasonably reflected. Thus, for example, the 20 foreign corporate manufacturers who were chosen represent some 45 per cent of the total number in that category of manufacturers doing business in Kano at the end of December 1990. The 40 Levantine manufacturers and their 40 indigenous Nigerian colleagues represented, respectively, 30 per cent and 50 per cent of those categories of manufacturers still in operation in Kano at the end of December 1990. Furthermore, care was taken to ensure that each category of manufacturers was drawn from as many of the sub-sectors of industry as possible. Of course, because of their uneven distribution between the sub-sectors, an equal number could not be selected from each sub-sector for each category of manufacturers. This problem was especially acute for the Levantine and indigenous manufacturers who were disproportionately concentrated in a few sub-sectors like textiles, plastics and soft drinks. Tables 2 and 3 give a summary of the sub-sectoral distribution of the 100 manufacturers surveyed.

Visits were paid to the houses of 60 entrepreneurs (five foreign corporate managers, 15 Levantine/Asians and 40 indigenous investors/managers). Wherever possible, discussions were held with members of their households. Regular visits were also paid to the clubs and other social settings patronized by the leading businessmen. Officials of the Manufacturers Association of Nigeria (MAN), Kano Branch; the Kano Chamber of Commerce, Industry, Mines and Agriculture (KACCIMA); the Kano State Investment and Property Company (KSIP); the Export Promotions Council, Kano; and the Kano State Ministry of Trade and Industry were also interviewed. Records kept by these organizations on various aspects of manufacturing in Kano were studied, including the minutes of meetings held by members of MAN and KACCIMA from December 1986 to June 1992.

Table 1
Firms surveyed for study of the livelihood strategy of Kano manufacturers

(by ownership)

Ownership	Number surveyed	Percentage of total number of their category of manufacturers	Percentage of total number of firms surveyed
Foreign corporate	20	45	20
Indigenous Nigerian	40	30	40
Levantine	40	50	40

Source: Author's field surveys, 1991 and 1992

Table 2
Sub-sectoral distribution of the three categories of manufacturers surveyed for study

Sub-sector	Category of manufacturers		
	Indigenous	Levantine	Foreign corporate
Leather tanning and processing, including footwear	3	2	1
Plastic, plastic products, including footwear	4	7	1
Soap, perfumes, toiletries and cosmetics	2	2	1
Mineral water, packaged juices, beer and spirits	2	2	2
Food, beverages and vegetable oil	3	3	2
Paper, paper products and stationery	2	1	1
Foam and rubber products, including rubber footwear	1	2	1
Glass products	-	1	-
Electrical and communication equipment	-	-	1
Cardboard packaging materials, suitcases	2	1	-
Metal processing and fabricating	4	2	1
Motor vehicle and bicycle assembly, spare parts	-	-	1
Textiles, weaving, knitting and spinning	4	6	-
Steel and steel products	1	2	2
Candles, paints, pharmaceuticals, batteries, chemicals	1	1	2
Sweets and confectionery	4	2	-
Burnt bricks, floor and wall tiles, ceramic wares	1	1	2
Cement, asbestos and concrete products	1	1	-
Wood processing and wooden products	3	1	-
Enamelware and aluminium products	2	2	1
Miscellaneous manufactured products	-	1	1

Source: Author's field surveys, 1991 and 1992

Table 3
Sub-sectoral distribution of 100 manufacturers whose firms were surveyed

Sub-sector	Number of manufacturers	Sub-sector	Number of manufacturers
Leather tanning and processing,	6	Metal processing and	7

including footwear		fabricating	
Plastic, plastic products, including footwear	12	Motor vehicle and bicycle assembly, spare parts	1
Soap, perfumes, toiletries and cosmetics	5	Textiles, weaving, knitting, spinning	10
Mineral water, packaged juices, beers and spirits	6	Steel and steel products	5
Food, beverages and vegetable oil	8	Candles, paints, pharmaceuticals, batteries, chemicals	4
Paper, paper products and stationery	4	Sweets and confectionery	6
Foam and rubber products, including rubber footwear	4	Burnt bricks, floor and wall tiles, ceramic wares	4
Glass products	1	Cements, asbestos, concrete products	2
Electrical and communication equipment	1	Wood processing and wooden products	4
Cardboard packaging materials, suitcases	3	Enamelware and aluminium products	5
Miscellaneous manufactured products	2		

Source: Author's field surveys, 1991 and 1992

What place does Kano occupy in the nation's geopolitical and industrial setting? Prior to the imposition of British rule in Nigeria, Kano already had a long history, dating as far back as the seventh century, as an independent territory with a flourishing sedentary iron-working population (Fika, 1978; Olukoshi, 1986). By the nineteenth century, it had emerged as a leading centre of cottage industries, commerce and agriculture in the old Sudan. It was also the richest and most important constituent emirate of the Sokoto Caliphate, into which it was incorporated in 1806 after the overthrow of the ruling Habe dynasty by the Jihadist forces of Usman Dan Fodio (Fika, 1978; Adeleye, 1977; Olukoshi 1986). It had a powerful merchant class that maintained extensive external links through the trans-Saharan trade for which Kano served as a major *entrepôt* (Shea, 1975; Lovejoy, 1973). Also by the nineteenth century, the state system was already firmly established in the area, complete with its own coercive apparatus and bureaucracy, guided by the ideology of Islam, and presided over by the Jihadist aristocracy that replaced the Habe rulers after 1806.

Following the British conquest of the Sokoto Caliphate and some of its constituent emirates in the early years of the twentieth century, Kano Emirate was merged with other neighbouring territories, namely Hadejia, Gumel and Kazaure, and constituted into the Kano Province under the new colonial administration in what was referred to as the Protectorate of Northern Nigeria. The Protectorate was later renamed the Northern Region. This administrative arrangement continued until 1960 when Nigeria became independent. With the collapse of the First Republic (1960-1966) and the escalation of the federal crisis which eventually culminated in a civil war (1967-1970), a twelve-state federal administrative system was introduced to replace the regional system of government. What is today referred to as Kano State was part of the land mass carved out of the defunct Northern Region by the government of General Yakubu Gowon (1966-1975). The

creation of seven new states in 1976 brought the number of states in the federal system to 19, but Kano's geographical boundaries were basically unaltered by the exercise. Nor did the creation of two additional states in 1987 affect the boundaries of Kano. It was only during the creation of nine new states in August 1991 that Kano's boundaries were altered. The state was split into two, with one half named Jigawa State and the other half retaining Kano as its name with Kano as its capital. It is on this reconstituted Kano state that we focus in this study.

Even after the administrative re-organization exercise of August 1991 was completed, the new Kano State, like the old one, remained one of the most populous states in Nigeria's 30-state federal structure, with a population of over three million people according to the 1991 national census results. Its capital city, Kano, has a population of over one million inhabitants and is the main location of most of the state's manufacturing capacity. Research was conducted in and around the capital city. Kano city is the single most populous urban centre in northern Nigeria and is ranked next in population to Lagos and Ibadan in the Nigerian federation. As the pre-eminent commercial and industrial centre in northern Nigeria, its influence is felt not only within the country but also in such neighbouring countries as Niger, Chad, Benin, Cameroon and Mali.

3. THE DEVELOPMENT OF INDUSTRIAL ENTREPRENEURSHIP IN KANO

The long process by which a modern manufacturing sector was established in Kano can be traced back to 1903 when the Kano Emirate was subjugated by the forces of British colonialism and the territory was incorporated, along with the rest of the Sokoto Caliphate, into the world capitalist economy. Prior to the arrival of the British colonialists, Kano was already a major centre of cottage industries and the leading commercial centre in the Caliphate. So widely famed were the products of its cottage industries, particularly its dyed clothes and leather goods, that some scholars were to conclude, rather hastily and uncritically, that Kano emirate was essentially capitalistic before colonialism (Shea, 1975). In fact, pre-colonial Kano was essentially pre-capitalist, relying as it did on the use of unpaid family labour supplemented with slave labour. It was only with the arrival of the British that the basis began to be laid for capitalist accumulation (Olukoshi, 1986).

Although, prior to 1945, there were a handful of factories producing such products as bilthongs, local soap, ghee, vegetable oil and groundnut paste, most were short-lived and only very few existed at any one time. From 1945 onwards, however, many more firms were established, producing a whole range of consumer goods. So rapid was the rate of growth of modern factory units that, in the course of the 1950s, the Bompai Industrial Estate was established as the first of its type in Kano (Olukoshi, 1986; Mustapha, 1983; Kilby, 1969). Following a host of incentives offered by the federal government to industrial enterprises between 1960 and 1973, over 75 new manufacturing plants were established in the Kano area, 11 of them in textile

spinning, weaving and finishing. But it was after 1973, following the oil boom, that the establishment of import substitution factories peaked. Many investors, anxious to tap the opportunities associated with the expansion of state expenditure and the increased purchasing power of the Nigerian consumer, established new plants in Kano or expanded their existing production capacity. Between 1973 and 1982, not less than 165 new manufacturing plants were established in Kano, mostly concentrated in the production of plastics and plastic products, sweets and confectionery, soft drinks, textile goods, metal and wooden furniture, rubber products, paper and paper products, perfume, cosmetics and toiletries, and leather goods.

To accommodate the dramatic increase in industrial production, four new industrial estates were opened at Sharada, Challawa, along Hadejia Road, and at Dakata. By the end of 1985, there were some 500 modern manufacturing plants employing over 100,000 workers in Kano. These factories were set up by indigenous and foreign private capital as well as by the state through the KSIP and the New Nigerian Development Corporation (NNDC). As table 4 shows, many of them were joint ventures linking local and foreign capital and, in some cases, attracting state participation (Olukoshi, 1986; Forrest, 1994). It is remarkable that none of the manufacturing plants in Kano was engaged in the production of capital goods; only a couple, mostly in metal processing and fabrication, could be said to be involved in intermediate goods production. The overwhelming majority, well over 90 per cent of the factories, were engaged in the production of consumer goods in medium-scale plants.

Table 5 summarizes the results of a 1980 survey carried out by the Federal Office of Statistics (FOS) of 150 Kano manufacturing firms operating in 21 sub-sectors. Although it does not cover all of the firms operating in the manufacturing sector as of 1980, the information it provides gives us a broad picture of the state of industrial production in the area. The dominance of light consumer goods production is unmistakable, which also reflects the national industrial scene. National aggregate data by the FOS and MAN suggest that the manufacturing sector experienced rapid growth between 1973 and 1981, with an average growth rate of 12.3 per cent (Fadahunsi, 1993). Value added rose by about 500 per cent from 1977 to 1982 (**Financial Times**, 24/25 June, 1995). However, this rapid growth in national manufacturing production did not substantially change the contribution of manufacturing to the GDP, which went from 5 per cent in 1970 to only 6 per cent in 1978/79. Furthermore, import dependence for vital industrial inputs was very high because of the poor development of the intermediate and capital goods sectors. This dependence ranged from about 95 per cent for industrial and agricultural machinery to 93 per cent for household electrical appliance industries; 92 per cent for motor body building; 89 per cent for ship building and for basic industrial chemicals, fertilizers and pesticides; and 88 per cent for clothing and apparel. It is estimated that 90 per cent of national manufacturing output comes from the consumer goods sector (Ekuerhare and Ihuoma, 1984).

Table 4
Percentage of total paid-up capital held by various groups, 1980

Industry group	No. of estab-	Total paid-up	% held by private	% held by	% held by	% held by Kano	% held by

	lisments	capital (N'000)	Nigerians	foreign capital	federal gov't	gov't	others
Preserved fruit, vegetable oil	7	16,802	70.79	11.82	-	17.37	-
Bakery products	16	3,064	100.00	-	-	-	-
Confectionery products	9	6,730	80.5	16.52	-	-	2.97
Malt liquors and soft drinks	4	28,840	57.1	27.73	15.15	-	-
Spinning, weaving and finished textiles	15	7,490	42.18	17.75	-	40.05	-
Wearing apparel	7	9,411	53.02	38.72	-	-	-
Knitting mills, carpets, rugs, etc.	4	2,200	47.72	52.47	-	-	-
Wearing apparel	4	-	-	-	-	-	-
Tanning, leather products, footwear	7	3,853	52.58	32.1	-	2.59	-
Wooden furniture and fixtures	14	6,330	51.42	45.82	-	-	-
Pulp and paper articles, printing	5	470	100.00	-	-	-	-
Basic industrial chemicals	3	1,085	60.00	40.00	-	-	-
Soap, cleaners, toilet goods	5	2,952	16.18	5.42	-	-	18.39
Other chemical products (paints, etc.)	3	3,100	90.32	9.67	-	-	-
Tyres and tubes, plastic products	14	6,364	75.64	24.35	-	-	-
Glass and glass products	4	804	90.04	9.95	-	-	-
Other non-metallic products	5	2,790	55.91	44.08	-	-	-
Cutlery, hand-tools, hardware	5	1,200	93.33	6.66	-	-	-
Metal furniture and fixtures	10	9,776	62.16	37.83	-	-	-
Structural metal products	3	1,505	72.09	27.9	-	-	-
Other fabricated metal goods, bicycles	6	9,392	53.09	46.5	0.14	0.52	0.04

Source: Survey of Manufacturing Establishments in Nigeria, Federal Office of Statistics, Lagos, 1980

How have the three groups of entrepreneurs evolved in the context of Nigeria's industrial development? And what is the relative significance of each group in Kano's industrial sector?

◆ 3.1 Foreign Corporate Manufacturers

Foreign corporate manufacturers can be divided into two groups — the representatives of the old colonial trading companies which, after some four decades of dominating Kano's commerce, began a gradual move into industrial investment; and the representatives of modern multinational corporations which entered Kano after 1945. The old trading houses such as John Holt, PZ, the Niger Company (later renamed UAC), CFAO, SCOA, UTC and others established a direct presence in Kano in the period

immediately following the consolidation of British rule in the area. Their main purpose was to acquire primary commodities such as groundnuts, cotton, hides and skins, gum arabica and sisal for export to Europe. These trading houses were thus a crucial element in the integration of Kano into the world market. They did not directly produce primary commodities, relying instead on the peasantry to do so. The trading companies then acquired and packed the products and exported them to Europe. It was a classic case of merchant capital exploiting commercial opportunities for gain (Hogendorn, 1978; Shenton, 1986). They also played an important role in importing and distributing consumer goods.

During the 1940s, the old colonial trading companies began to abandon some spheres of commerce, particularly the raw materials trade, and to invest some of their capital in local manufacturing, thus taking full advantage of their knowledge of local market preferences from years of having dominated the trade in consumer goods importation and distribution. Many companies, including UAC and John Holt, did not completely abandon their commercial interests at first; they merely left the retail trade and concentrated on wholesale activities and the importation of specialized technical equipment side by side with their budding manufacturing investments. As their manufacturing interests grew, however, some completely left the commercial terrain, which was increasingly contested by indigenous and Levantine business groups. These erstwhile trading houses obtained licenses, patents, trade marks and franchises from big European and American manufacturing corporations such as the Lever Group, Lonrho, Coca Cola Worldwide, PepsiCo Incorporated, and others. They were ultimately able to form giant groups that came to play a key role in manufacturing in Kano and the rest of Nigeria.

Table 5
Survey of manufacturing industries, Kano State, 1980

Industry group	No. of establishments	No. of workers employed	Gross output (N'000)	Value added (N'000)	Net capital expenditure (N'000)	Total sales and receipts (N'000)	Total paid-up capital (N'000)	Industrial costs (N'000)
Preserved fruits, vegetable oil and fat	7	1,109	149,345	20,722	3,839	153,842	16,802	128,623
Bakery products	16	1,382	10,178	1,150	813	10,162	3,064	11,328
Confectionery products	9	2,076	37,502	13,170	6,601	37,635	6,730	24,332
Malt liquors and soft drinks	4	1,484	41,272	29,726	7,395	40,625	28,840	12,546
Spinning, weaving and finishing textiles	15	3,021	28,199	9,172	3,611	26,734	7,490	19,027
Made-up textiles (except apparel)	7	3,039	31,353	11,195	4,335	28,349	9,411	20,158
Knitting mills, carpets, rugs, etc.	4	632	7,331	1,955	337	7,463	2,200	5,376
Wearing apparel	4	78	599	272	148	584	-	327
Tanning leather products, footwear	7	1,099	22,789	8,806	527	30,933	3,853	13,983
Wooden furniture and fixtures	14	1,559	13,922	3,889	1,920	15,376	6,330	10,033
Other pulp and paper articles, printing	5	403	2,094	1,851	742	2,114	470	1,243
Basic industrial chemicals	3	275	5,469	1,590	290	5,317	1,085	3,879
Soap, cleaners, toilet goods	5	655	16,449	7,824	223	15,947	2,952	8,625
Other chemical products (paints, etc.)	3	187	3,543	1,434	307	3,660	3,100	2,109
Tyres and tubes, plastic products	14	887	17,137	8,169	1,823	16,265	6,364	8,968
Glass and glass products, clay products	4	227	2,122	1,231	280	1,962	804	891
Other non-metallic products	5	465	4,159	1,733	157	4,163	2,790	2,426
Cutlery, hand-tools, hardware	5	629	11,524	3,228	491	11,432	1,200	8,296
Metal furniture and fixtures	10	2,121	36,543	11,535	2,508	35,577	9,776	25,008
Structural metal products	3	190	8,237	3,491	1,724	7,067	1,505	4,746
Other fabricated metal goods, bicycles	6	1,267	33,454	5,470	1,550	32,600	9,392	16,873
Total	150	22,785	483,221	147,613	39,621	487,807	124,158	328,797

Source: Survey of Manufacturing Establishments in Nigeria, Federal Office of Statistics, Lagos, 1980

Following the Second World War, the second group of foreign corporate manufacturers, namely representatives of the modern international corporations, began to make inroads into Kano and the rest of Nigeria. Some of these corporations already enjoyed an outlet for their products in the country; many others had no previous experience in the Nigerian market. Their entry into the Kano manufacturing sector came in a trickle at first but

in the post-independence period, particularly at the height of the oil boom, their presence was considerably strengthened as Union Carbide, Raleigh Industries International, Sinalco AG of West Germany, Eternit Belgio from Belgium, Fiat-Iveco, the Mentholatum Group of the United Kingdom, and Jouffrieau International, among others, established subsidiaries and associates in the area, often in joint venture with indigenous investors, and, occasionally, the state (Olukoshi, 1986). Table 6 provides a detailed picture of the position occupied by foreign corporate manufacturers in Kano based on a survey of 289 firms, of which 45 were multinational subsidiaries or associates. The 45 firms represented 75 per cent of all the multinational subsidiaries and associates known to be operating in the Kano manufacturing sector as of April 1985. It is clear from the table that there was, in the period up to 1985, some level of foreign corporate presence in virtually all sub-sectors of manufacturing in Kano, except the wooden and metal furniture and the glass products sub-sectors.

◆ 3.2 The Levantine Manufacturers

Levantine involvement in Kano's economy pre-dates colonial rule. Well before colonialism, Levantine traders, together with Tripolitanian Arabs, had established commercial contacts with Kano primarily through the trans-Saharan trade. Under the leadership of Abande, the Ghadamese merchant, they played an active commercial role within Kano, operating largely from their base in the old city of Kano which was (and still is) known as the Syrian Quarters. During colonialism more Levantine traders established themselves in the primary commodity and consumer retail trade. Although the European trading companies were dominant, the Levantine traders gave them keen competition. Two Levantines, Saul Raccah and Ferris George, were especially outstanding in breaking into the primary products, particularly groundnut trade and, eventually, in importing consumer goods for distribution. But Raccah and George were exceptions from the general Levantine position in the colonial economy. Most of the Levantine traders were several rungs below European merchant capital, although they were generally better placed than the indigenous trading groups (Olukoshi, 1985; Perham, 1948).

Like the foreign corporate investors, it was after 1945 that the Levantines began to plough some of their capital into factory production, although a number of them had attempted, during the 1920s and early 1930s, to establish manufacturing concerns. Their transition to manufacturing activities, as with the colonial trading houses, did not mean their complete abandonment of their commercial interests; they continued to partake in retail and wholesale trade particularly in the *Kantin Kware* textile market, which they dominated, but also in the raw materials and consumer goods trade. Many of their manufacturing investments were originally in lines that were related to their raw materials trade. Thus, Levantine businessmen featured prominently in the ownership of the earliest groundnut oil milling and textile weaving and spinning plants that were established in Kano during the 1950s and 1960s.

Table 6

Sub-sectoral distribution subsidiaries and associates of multinational companies (MNC) in Kano

Manufacturing sub-sector	No. of companies covered	No. of companies in which MNC have invested (as % of total)
Leather tanning and processing, including footwear	11	5 (45.45%)
Plastic, plastic products, including footwear	37	5 (5.40%)
Metal and wooden furniture products	21	- (0%)
Soap, perfumes, toiletries and cosmetics	10	2 (20.0%)
Mineral water, packaged juices, beers and spirits	14	4 (28.57%)
Food, beverages and vegetable oil	30	5 (16.66%)
Paper, paper products and stationery	8	1 (12.50%)
Foam and rubber products, including rubber footwear	14	2 (14.28%)
Glass products	1	- (0%)
Electrical and communication equipment	3	1 (33.33%)
Cardboard and packaging materials, suitcases	7	1 (14.28%)
Enamelware and aluminium products	13	1 (7.69%)
Metal processing and fabricating	16	3 (18.75%)
Motor vehicle and bicycle assembly, spare parts	5	3 (18.75%)
Textiles, weaving, knitting and spinning	27	2 (7.40%)
Steel and steel products	11	2 (18.18%)
Candles, paints, pharmaceuticals, batteries, chemicals	15	4 (26.66%)
Sweets and confectionery	19	1 (5.26%)
Burnt bricks, floor and wall tiles, ceramic wares	7	3 (42.85%)
Cement, asbestos and concrete products	5	1 (20.00%)
Miscellaneous manufactured products	15	2 (13.33%)
Total	289	48 (15.57%)

Source: Author's field survey, April 1985

Later, in the 1970s and 1980s, they diversified into leather tanning and the production of plastics and plastic goods, soft drinks and mineral water, wooden and metal furniture and rubber processing, enamelware, sweets and confectionery, and perfumes and cosmetics. The Levantines were, in several cases, the pioneers of the production of particular commodities in Kano and their high profile in sub-sectors like plastics, soft drinks, sweets and confectionery, and textiles, to cite a few, is unmistakable (Olukoshi, 1985). Thus, for example, of the 39 firms operating in the plastic products sub-sector of Kano as of the end of 1985, the Levantines had an interest in at least 30. Similarly, in the textiles, weaving, knitting and spinning sub-sector, the Levantines had an interest in 18 out of the 27 firms operating in the area at the end of 1985. As to the sweets and confectionery sub-sector, the Levantines had varying levels of involvement in 14 out of the 19 firms and were in the ownership structure of 8 out of the 14 firms producing soft drinks, mineral water and juices (Olukoshi, 1986). Because of the

indigenization decree of 1977, they could not hold 100 per cent equity in the firms they established, as most of these fell into Schedules II or III of the Decree with the implication that Nigerian citizens had to hold 40-60 per cent of the paid-up equity capital of the firms.

◆ 3.3 The Indigenous Manufacturers

Pre-colonial Kano was, as we have already noted, a major centre of commerce. It had a powerful indigenous merchant class (*Attajirai*) whose commercial network included not only the trans-Saharan trade routes but also markets all over the old Sudan and Central Africa. Some of the Kano merchants, such as Maikano Agogo, also had trading links with the Niger Company and other European traders based in Lokoja and along the coast. The commodities in which they traded included kola-nuts, goats, food grains, eggs, hides and skins as well as processed leather and leather products, and other goods. They were essentially a pre-capitalist merchant class who operated in the pre-colonial Kano economy where many of them owned slave estates. The colonial state sought to re-orient peasant production towards satisfying the needs of Western industry and Kano's trade relations towards the coast. Most indigenous traders were completely ruined as their old lines of commerce were no longer viable; their slave estates collapsed as the slaves fled or were emancipated; and the rules of the new colonial dispensation, including its taxation policies, were loaded against the old, pre-colonial ways of doing things (Olukoshi, 1986).

Those indigenous merchants who were able to survive such adversities were to play a key role as intermediaries between foreign merchant capital and the peasant producers of the raw materials. Many of the European trading companies recruited indigenous middlemen, most of them pre-colonial merchants, gave them cash advances and encouraged them to employ their old trading networks, which spread throughout the northern Nigerian countryside, to procure on their behalf groundnuts, cotton, hides and skins, and other cash crops. It was in the process of playing this intermediary role that some of the indigenous traders began to rebuild their commercial base. They were aided in this by the arrival of the railway in Kano, which allowed some of them to resume their kola-nut and cattle trade. They also acted as distributors of consumer goods like soap, robin blue, razor blades, sweets and confectionery, thread and needles, etc., for the European trading companies. By the second half of the 1930s, some indigenous traders, led by Alhassan Dantata, the doyen of this group, began to aspire to procure raw materials and import consumer goods in their own right, much to the dislike of the foreign European firms which threatened them with a trade and price war.

After 1945, following the movement of foreign capital into local manufacturing production, the commercial opportunities available to the indigenous merchant class were significantly boosted as companies like UAC and John Holt encouraged their middlemen to take over the commercial spheres that they were vacating. A key beneficiary of this was Alhassan Dantata. Also as a result of post-1945 developments, the colonial state, through the Colonial Development Corporation, began to extend economic aid to indigenous businessmen. The much sought-after status of

Licensed Buying Agent (LBA) became freely available in the course of the late 1940s and early 1950s, especially after nationalist politicians began to join the government for decolonization. Native authority contracts for the execution of small public works projects were also awarded to indigenous businessmen. The importation of consumer goods became a favourite pastime among many Kano traders as the 1950s wore on (Olukoshi, 1986; Mustapha, 1983; Bashir, 1983).

The process of transition whereby indigenous traders began to plough resources into local manufacturing started on a very small scale in the 1950s when Alhassan Dantata, his son Sanusi, the Rabiu family and others opened factories for oil milling and the production of shoes. A group of indigenous businessmen also came together in the second half of the 1950s to establish the Kano Citizens' Trading Company, the first textile mill in Kano. It was, however, in the post-colonial period, particularly after the start of the oil boom, that many of those who are now members of the indigenous manufacturing group made their investments in factory production. This process was aided by the indigenization decrees of 1972 and 1977, which enabled many local business interests to acquire shares in existing, foreign-owned industries. Many of the local businessmen were also to establish their own wholly-owned manufacturing plants producing soft drinks, enamelware, plastics, paper, vegetable oil, textiles, sweets and confectionery, metal and wooden furniture, sugar, perfumes, macaroni and other food products, rubber products, chalk and dusters, tanned leather, wire and nails, and a host of other basic commodities. Some of them, encouraged by the indigenization decrees, entered into joint ventures with foreign corporate and Levantine capital. In the course of the 1970s, there emerged in Kano a class of indigenous businessmen distinguished by their active participation in manufacturing (Olukoshi, 1986; Forrest, 1993).

Table 7 brings out the distribution of investments of this indigenous manufacturing class in 289 manufacturing concerns in Kano in April 1985. At that time, the indigenous manufacturers of Kano were strongly established in the food, beverages, vegetable oil, metal and wooden furniture products, soap, perfumes, toiletries and cosmetic sub-sectors. Indigenous entrepreneurs had, by 1985, established a significant presence in every sphere of manufacturing, aided no doubt by the state's indigenization decrees. In 74 out of the 289 firms surveyed, or about 26 per cent, indigenous manufacturers held 100 per cent of the equity. In 156 factories, indigenous investors accounted for 60-99 per cent of the equity capital while in 22 others, their ownership share ranged between 40 and 59 per cent. Only in 37 of the 289 companies did the holdings of the indigenous manufacturers stand at 20 per cent and below.

Table 7
Distribution of the investments of the domestic bourgeoisie in the Kano manufacturing sector by sub-sector as at April 1985

Sub-sector	Classification of companies by % shareholding held by the domestic bourgeoisie				
	100%	60-99%	40-59%	20-39%	Less than

					20%
Leather tanning and leather products	3	6	1	1	-
Plastic and plastic products	4	27	-	-	8
Metal and wooden furniture products	8	7	-	-	6
Soap, perfumes, toiletries, cosmetics	5	4	1	-	-
Mineral water, packaged juices and beer	4	9	1	-	-
Food, beverages, vegetable oil	13	14	-	-	3
Paper and paper products	4	4	-	-	-
Foam and rubber products	4	10	-	-	-
Glass products	-	10	-	-	-
Electrical and communication equipment	-	3	-	-	-
Cardboard and packaging material, boxes	3	3	-	-	1
Enamelware and aluminium products	5	6	2	-	-
Metal processing and fabricating	2	9	4	-	1
Motor and bicycle assembly, spare parts	-	4	1	-	-
Textiles, weaving, knitting and spinning	6	14	5	-	2
Steel and steel products	-	5	2	-	4
Candles, paints, pharmaceuticals, batteries	2	9	1	-	3
Sweets and confectionery products	3	8	-	-	8
Burnt bricks, tiles and ceramic wares	2	3	2	-	-
Cement, asbestos and concrete products	2	1	2	-	-
Tarpaulin and miscellaneous products	4	9	-	-	-

Source: Author's field survey, April 1985

◆ 3.4 Kano's Manufacturing Sector in the Nigerian Context

In the period since 1945, Kano has been able to establish itself as a major centre for manufacturing activities in Nigeria, second only to Lagos. Kano's

manufacturers enjoy an almost unalloyed dominance over the leather processing and tanning business and, in the first half of the 1980s, controlled the highest number of soft drink and mineral water bottling plants in the country. In Kano, 13 such plants were known to be in operation in December 1984, the highest such concentration for any state of the federation (Olukoshi, 1986). The Kano manufacturing sector also boasts one of the highest concentrations of textile mills, sweets and confectionery factories, plastics and plastic product plants, perfumes and cosmetic factories, and metal and wooden furniture factories in the country. At the end of 1984, Kano had 19 factories producing sweets, 27 textile plants, and 39 plastic and plastic products firms. While it had the highest concentration of sweets and confectionery, and plastic and plastic products factories for any part of the country, its number of textile mills was rivaled only by Lagos. Similarly, with 11 leather processing factories, it enjoyed a clear dominance in this area, while its 30 vegetable and food processing plants ensured that it was almost at par with Lagos in this area. Some of its firms, such as Gaskiya Textile Mill, were among the most important employers of factory labour in Nigeria. Owned by an indigenous investor, Gaskiya Textile Mill employed over 1,000 workers at the end of 1984. Clearly, the manufacturers of Kano, and the sector of the Kano economy which they control, occupy an important position in the national industrial profile. Some of the manufacturers such as Aminu Dantata, Tijjani Dagazau, Hassan Hadejia, Mohammed Shour, A.K. Fawaz and others have also invested in manufacturing concerns in places like Lagos, Kaduna, Katsina, Abeokuta and Ibadan.

It should be noted, however, that some 50 per cent of Nigeria's industrial capacity is believed to be in Lagos and its immediate environs. It should also be borne in mind that unlike Lagos, and even the Aba/Nnewi/Port Harcourt industrial axis, Kano has far fewer intermediate goods firms and no capital goods producing plants (Olukoshi, 1986; Mustapha, 1983). A great majority of the manufacturing establishments in Kano employ labour-intensive methods of production. In terms of their levels of performance, the firms that made up the manufacturing sector appeared, generally, to have been run profitably before the general economic crisis. Particularly profitable were the soft drinks, plastic products, sweets and confectionery, paper and paper products, metal and wooden furniture, toiletries and cosmetics, and foam and rubber products sub-sectors. The predominance of Levantine and indigenous manufacturers in those sub-sectors can perhaps be explained in part by the attractive return on investment in labour-intensive production processes guaranteed by the existence of an oil boom-induced mass market for these products. Based on the results of a 1985 survey of 289 firms, foreign corporate, Levantine and indigenous manufacturers shared broadly similar performance levels in terms of profitability and turnover (Olukoshi, 1986).

4. INDUSTRIAL CRISIS AND RESTRUCTURING

By the early 1980s, following the collapse of the world oil market, the ability of the Nigerian state to continue to finance the import needs of

industry was severely undermined as its foreign exchange earnings were drastically reduced. The State's oil revenues fell from 10,000 billion naira (N) in 1979 to N5,161 billion in 1982, at a time when the raw materials and capital goods import requirement of industry was put at well over N5.7 billion and the total import requirements of the entire economy exceeded N13 billion (The Odama Report, 1983). Not surprisingly, the revenue shortfall resulting from the collapse of the world oil market brought out in sharp relief the structural imbalances in the import-substitution sector and led to a deep crisis in industry.

The impact of the crisis on the Kano manufacturing sector, as on the rest of the national economy, was immediate and drastic. It is estimated that between 1982 and 1985, between 50 and 75 per cent of all manufacturing establishments in Kano had to cease production for varying periods of time, ranging from two weeks to one year, because of the acute shortage of raw materials and spare parts. In a survey covering 34 companies in six sub-sectors of manufacturing, and with ownership spread among foreign, indigenous, and Levantine manufacturers, the Kano branch of MAN confirmed the devastating effects of the crisis on industry. The survey, spanning the period from January to October 1984, found that the seven textile companies it covered were all, on average, utilizing only about 14 per cent of their installed capacity. They had also retrenched over 2,000 workers and the foreign exchange allocation which they received through import licenses issued by the federal government in 1984 met only 20 per cent of their total requirements (see table 8).

Table 8
Impact of the economic crisis on the Kano manufacturing sector
January-October 1984

Sub-sector	Number of companies	Average capacity utilization %	Import licences received as % of total need	Total number of workers retrenched
Textiles and textile products	7	14	20	1,654
Building materials	3	Less than 60	30	93
Chemical and chemical products	9	20	8.6	753
Metal and metal fabrication	7	17	11.7	616
Beverages	6	22	5.7	2,308
Leather tanning and processing	2	25	0	350

Source: Abstracted from the Manufacturers Association of Nigeria (Kano Branch), **Report on the Industrial Situation in Kano**, January-October 1984, pp. 5-12

This general picture of reduced capacity and retrenchment of workers applied equally to the three building materials, nine chemical, seven metal fabricating, six beverage and two leather tanning companies covered in the survey (MAN, 1984). In addition to the firms that closed down in 1984, 70 factories were reported to have ceased production in the first quarter of 1985 alone. It was also reported that in 1985, a total of 17,000 factory workers

were either retrenched or sent on indefinite compulsory leave (Olukoshi, 1986).

Different governments tried to respond to the economic crisis between 1982 and 1994. Here it is important to highlight only those aspects of the reforms that have implications for industry. The stabilization programme of the civilian government of Shehu Shagari (1979-1983) was largely deflationary. Its chief goal was to reduce the country's huge import bill, particularly through cuts in consumer goods and food items. However, the sharp drop in foreign exchange holdings meant that the import needs of industry were also seriously affected. In a context of growing scarcity, the import licensing system that was put in place to regulate the use of foreign exchange was widely abused by the ruling party's patrons and supporters. Licenses tended to be awarded to importers of consumer goods or those who simply wanted to transfer ill-gotten wealth overseas, as opposed to entrepreneurs who were engaged in industrial production (Forrest, 1993).

The Buhari régime (1984-1985) attempted to rationalize the import licensing system with a view to giving priority to industry, but because of the magnitude of the foreign exchange needs of manufacturers and the dwindling price of oil which, by 1985, had fallen to US$ 28-29 per barrel from its peak of US$ 40-42 per barrel in 1979, the crisis of the manufacturing sector continued to deepen. In an attempt to address the long-term problems of industrial accumulation, the régime attempted to work out programmes for local sourcing of raw materials with members of the manufacturing class on a sub-sectoral basis. In the meantime, as part of its bid to mitigate the constraints of foreign exchange receipts, the government concluded a number of "counter-trade" agreements with Italy, Austria, Brazil and the Soviet Union. Under these agreements, Nigerian oil was bartered for consumer goods and raw materials for use in the country's industries. Several firms in Kano obtained counter-trade licenses, although they were unable to use them as the terms were still being negotiated with the Italian and Austrian governments when the Buhari régime was overthrown in August 1985.

The process of adjustment under the Babangida government (1985-1993) was much more comprehensive than under the other two régimes, in terms of the role that the market instrument came to play in the allocation of resources. All previous incentive measures were reviewed in line with what was considered to be appropriate for the smooth functioning of the market. As it pertained to industry, the aim was to create a manufacturing base that was diversified and more internally balanced, with backward and forward linkages to agriculture and the rest of the economy. Industry, it was argued, should be inward-looking in terms of sourcing its inputs locally and it should be competitive enough to seek outlets overseas for its output, thereby earning foreign exchange for the economy (Okongwu, 1987). Box 1 summarizes the range of incentives that were put in place to aid this process.

Clearly, devaluation was at the heart of the new incentives régime. It was supposed to be both a source of reward for exporters and a strong disincentive for importers, favouring those involved in the production and marketing of tradables as opposed to non-tradables. Given the heavy import dependence of the industrial sector, it was certainly the main disincentive,

reinforced by the tariff and interest rate régimes, which were expected to act with devaluation to restructure the entire basis of the economy. A host of other rewards were also expected to act with devaluation to strengthen the country's manufacturing base in the long term. However, there were certain internal contradictions in the new structure of incentives associated with adjustment policies. For example, the drastic devaluation of the naira was expected, at one level, to encourage local sourcing of raw materials, and even production for exports, but its inflationary consequences were such that they raised the cost of production dramatically. In some cases, because of the inflationary consequences of devaluation, the costs of locally sourced raw materials increased more than the cost of importing raw materials, even though part of the objective of the sharp depreciation of the naira was to discourage dependence on foreign inputs (CBN, 1988).

Similarly, the drive to promote exports conflicted, in several cases, with the policies to encourage local sourcing of raw materials. This is because the competition between those interested in buying raw materials for export and manufacturers seeking to acquire them for local production resulted in high prices, which increased the costs incurred by local industrialists. The example of cocoa is probably the best known case of this kind of situation. At the height of the "cocoa boom" in 1988 and 1989, speculative buyers interested in exporting the commodity as a means of repatriating capital practically priced local manufacturers who depended on that raw material out of the market. Of course, the increased cost of local raw materials further fueled the already strong inflationary pressures in the economy, and the state's effort to curb those pressures through liquidity and credit squeeze deprived some manufacturers of access to resources from banks. Such contradictions probably explain the unhappiness of sections of the manufacturing class with structural adjustment even though they welcomed the removal of administrative bottlenecks and, to some extent, the withdrawal of the state from certain levels of economic activity.

To be sure, structural adjustment had differing consequences for the various sub-sectors of manufacturing enterprises in Kano and the rest of Nigeria. Those factories, especially the agro-allied ones, that were able one way or another to source raw materials locally performed better under the structural adjustment programme (SAP) than those that were wholly dependent on imported inputs and which, therefore, bore the full burden of the sharp devaluation of the naira. The specific case of textiles is significant in this respect. At least 40 per cent of the manufacturing enterprises in Kano fall into the category of those dependent on imported inputs and would seem to be fairly equally represented in all three groups of entrepreneurs.

Box 1
Macro- and sectoral level economic incentives and constraints

(i) The devaluation of the naira, in order to encourage local sourcing of raw materials by raising the naira costs of imported inputs, attract fresh foreign investment into industry, lower the real costs of labour for manufacturers and promote production for export.
(ii) The rationalization of the country's tariff structure, both as an integral part of the adjustment of the naira exchange rate and with a view to making local industry more competitive, discouraging "non-essential" imports and encouraging industry to be more inward-looking.

(iii) The deregulation of interest rates in order to boost savings, remove the advantages enjoyed by the public sector in borrowing funds and ensure that, through the market, such funds go mainly to serious investors interested in long-term projects.
(iv) The elimination of the import licensing system and other administrative bottlenecks that might obstruct industrial investors.
(v) The establishment of a Raw Materials Development Council as part of efforts to encourage industry to look inwards and raise local value added.
(vi) The provision of a host of export support measures, such as the export license waiver; the "duty drawback" scheme; the establishment of export development and export expansion funds that, together with an export adjustment scheme fund, was intended to help subsidize the expenses of manufacturers and semi-manufacturers; a capital allowance of 5 per cent on plant and machinery for exporters of manufactured goods; tax relief on interest for expenses, etc.
(vii) The promotion of a debt conversion programme, both as a means to attract "fresh" investment and to help existing firms finance expansion schemes or local raw materials development programmes.
(viii) The freedom for investors to export/repatriate imported capital, and the provision, over a three-year period, of tax-free dividends for equity participation imported into Nigeria between 1 January 1987 and 31 December 1992.
(ix) The promotion of a foreign exchange domiciliary account which could serve as an autonomous source of foreign exchange for industry.
(x) The establishment, in the Central Bank, of the National Economic Reconstruction Fund (NERFUND) to assist manufacturers to cope with the worst effects of the devaluation of the naira, the liquidity squeeze in the economy, and problems arising from interest rate deregulation.
(xi) The radical amendment and eventual jettisoning of the 1977 indigenization decree, in order to open up more sectors of manufacturing to foreign investors and thus attract fresh capital inflows.
(xii) The privatization of government shares in public enterprises, including industrial ones, in order to strengthen private manufacturing groups.
(xiii) The restructuring of the Nigerian Industrial Development Bank and the Nigerian Bank for Commerce and Industry to assist private investors more effectively in line with the new emphasis on strong private sector participation in the economy.
(xiv) The establishment of a Nigerian Export-Import Bank (NEXIM), intended to operate like the UN Eximbank to help finance manufacturing exports.
(xv) The stepping up, through the Federal Institute of Industrial Research (FIIRO) and the Project Development Agency (PRODA), of government-sponsored research and development for the benefit of private industrial investors.
(xvi) The promulgation of Decree No. 4, 1985, which amended the Income Tax Act of 1979, eliminating double taxation on investment income.
(xvii) The creation of an export credit guarantee and insurance scheme to protect Nigerian exporters of manufactured goods from political risks, payment default and other such problems.

Yet even those — such as the textile mills, breweries, sweets and confectionery factories, and tanneries — that were able to source some of their inputs locally found that the costs of these inputs had shot up astronomically and that, in any case, consumer purchasing power dwindled. They also found it hard to raise capital in the face of the extremely high rates of interest. As a consequence of these problems, average capacity utilization stood at best around 45 per cent. For those that could not source inputs locally, it was as low as 10 per cent (interviews conducted with MAN officials in January 1991).

Furthermore, most of the firms in Kano that managed to remain in business were saddled with unsold stocks. These stocks were, in 1989, as high as 75 per cent for firms in the food, beverage and tobacco sub-sector, 51 per cent for the textile mills and 42 per cent for the metal processing factories. This problem led some of the firms to close down, while others reduced their working day in what observers have described as a march towards de-industrialization (Olukoshi, 1991; Bangura, 1987).

Tables 9, 10, 11, 12 and 13 summarize the general experiences of the 100 manufacturers whom we surveyed for this study with regard to capacity utilization, labour employment, profitability and turnover.

5. WORKPLACE COPING STRATEGIES OF KANO'S MANUFACTURERS

How have manufacturers coped with the crisis and adjustment measures? The industrial coping strategies of all three types of entrepreneur have been varied and complex. Some strategies seem to be common among all three, while others are specific to each group. Others cut across the three groups, reflecting the sub-sector in which entrepreneurs find themselves. The first part of the discussion below will focus on the common concerns and strategies and the second will deal with the specific strategies. Issues discussed under common strategies are investment diversification and export promotion; the rationalization of production and input use; changes in marketing strategies; and the restructuring of managerial relations. It is worth noting that these responses were not necessarily unique to the Kano industrial area; in fact, evidence available on the Nigerian national experience as a whole suggests that they may have been typical of the responses in other industrial centres like Lagos/Ibadan, Aba/Nnewi/Port Harcourt and Kaduna/Jos.

Table 9
Capacity utilization on a sub-sectoral basis of the 100 manufacturing firms in our survey as of July 1992

Sub-sector	Average % capacity utilization
Leather tanning and processing	51
Plastic, plastic products, including footwear	45
Soap, perfumes, toiletries and cosmetics	48
Mineral water, packaged juices, beer and spirits	41
Food, beverages and vegetable oil	60
Paper, paper products and stationery	43

Foam and rubber products, including rubber footwear	40
Glass products	35
Electrical and communication equipment	38
Cardboard packaging materials, suitcases	41
Miscellaneous manufactured products	44
Metal processing and fabrication	41
Motor vehicle and assembly, spare parts	45
Textiles, weaving, knitting, spinning	42
Steel and steel products	36
Candles, paints, pharmaceuticals, batteries, chemicals	45
Sweets and confectionery	49
Burnt bricks, floor and wall tiles, ceramic ware	60
Cement, asbestos, concrete products	54
Wood processing and wooden products	48
Enamelware and aluminium products	46

Source: Author's field surveys, 1991 and 1992. N.B.: Average percentages were rounded

Table 10
Number of workers employed by the 100 manufacturers in our survey on a sub-sectoral basis, July 1992

Sub-sector	Number of workers employed
Leather tanning and processing, including footwear	723
Plastic, plastic products, including footwear	1,865
Soap, perfumes, toiletries and cosmetics	302
Mineral water, packaged juices, beers and spirits	947
Food, beverages and vegetable oil	1,421
Paper, paper products and stationery	469
Foam and rubber products, including rubber footwear	432
Glass products	106
Electrical and communication equipment	108
Cardboard packaging materials, suitcases	520
Metal processing and fabricating	1,811
Motor vehicle and bicycle assembly, spare parts	683
Textile, weaving, knitting and spinning	2,918
Steel and steel products	1,301
Candles, paints, pharmaceuticals, batteries, chemicals	716
Sweets and confectionery	1,018
Burnt bricks, floor and wall tiles, ceramic wares	608
Cement, asbestos, concrete products	396
Wood processing and wooden products	816
Enamelware and aluminium products	1,034
Miscellaneous manufactured products	492
Total number of workers employed	18,686

Source: Author's field surveys, 1991 and 1992

Table 11
Total number of workers employed by 100 Kano manufacturers (by manufacturers' category, July 1991)

Manufacturers' category	Total no. workers employed	No. workers employed as a % of survey total
Foreign corporate	2,996	16
Levantine	8,614	46
Indigenous	7,116	38

Source: Author's field surveys, 1991 and 1992

Table 12
Profit-after-tax of the 100 Kano manufacturers
(financial year ending December 1991)

Profit range Naira	Number of manufacturers	Profit range Naira	Number of manufacturers
Less than N100,000	2	N800,001-N1,000,000	28
N100,000-N200,000	8	N1,000,001-N2,000,000	6
N200,001-N400,000	10	N2,000,001-N4,000,000	6
N400,001-N600,000	13	N4,000,001-N8,000,000	4
N600,001-N800,000	19	N8,000,001-N10,000,000	3
		Over N10,000,000	1

Source: Author's field survey, 1992

Table 13
Turnover of the 100 Kano manufacturers (December 1991)

Turnover range	Number of manufacturers	Turnover range	Number of manufacturers
Less than N2,500,000	4	N12,500,001-N15,000,000	15
N2,500,001-N5,000,000	7	N15,000,001-N20,000,000	12
N5,000,001-N7,000,000	12	N20,000,001-N30,000,000	7
N7,500,001-N10,000,000	20	N30,000,001-N50,000,000	4
N10,000,001-N12,500,000	16	Over N50,000,000	3

Source: Author's field surveys, 1991 and 1992

◆ 5.1 Economic Diversification and Export Promotion

In response to the problems of production, all three manufacturing groups adopted a host of survival strategies with a view to staying in business. The point ought to be made that for some of the manufacturers, especially the indigenous and Levantine ones, manufacturing was only one of several spheres of business in which they were involved and this fact invariably influenced the vigour and ingenuity with which they pursued survival strategies. Of the 40 Levantine manufacturers, 24 reported that they had investments in other spheres of business; 32 out of the 40 indigenous ones reported the same. The most frequently mentioned were trade (import trade especially), road haulage and real estate. None of the 20 foreign corporate manufacturers had any interests outside manufacturing, although six said they were actively exploring the options. It is perhaps remarkable that those whose factories were shut for the least period of time were predominantly the foreign corporate, Levantine and indigenous manufacturers who were exclusively immersed in factory production. For instance, none of the surveyed factories owned by foreign corporate groups was closed for more than nine months at a time, but we noted that of the 24 Levantine and 32 indigenous manufacturers with strong interests outside manufacturing, 16 and 26 respectively reported that their plants were idle for between 12 and 18 months. The average period of redundancy reported by the remaining Levantine and indigenous manufacturers was six to 12 months.

During the 1980s, 17 of the manufacturers (two foreign corporate, seven Levantine and eight indigenous) introduced new production lines in their bid

to tap emerging markets in cosmetics, food products and plastic products, among others. Some of the manufacturers also introduced in-house production lines for inputs such as bottles, crown corks, cardboard packages and aluminium foil. In general, the 17 firms that did so had some of the highest levels of capacity utilization (about 55 per cent), good sales returns and turnover, and relatively good profit margins.

According to the firm managers, the new lines represented one of the most significant injections of fresh capital into the Kano manufacturing sector between 1988 and 1990. The 17 firms invested a combined total of N45,000,000 in the new lines, and much of the improvement in their overall level of capacity utilization arose from their new investment. Capacity utilization remained well below their pre-crisis levels, however. In part, this is because the new lines, to varying degrees, also depended on imported inputs even if on a lower scale.

Even though all firms recognized the advantages in orienting production for export, not many companies were in a position to do so. Only seven out of the 100 manufacturers interviewed reported that they had decided to produce for export. Made up of two foreign corporate manufacturers, three indigenous and two Levantine manufacturers, the seven exporters reported that, the difficulties associated with export production notwithstanding, they had decided to devote an increasing share of their output to the export market. As of the time of the last survey carried out in July 1992, they reported that between 10 and 15 per cent of their total output went to the export market. Four of the seven manufacturers involved in export production also reported that they had been in the export trade for a few years prior to the introduction of SAP. One of them, the manager of Raleigh Industries Limited, stated that export production was part of a global strategic re-organization undertaken by the parent company in Nottingham, United Kingdom.

There is no doubt that the capacity of these manufacturers to tap an export market was related to developments in the economies of Nigeria's francophone neighbours in which the appreciation of the CFA franc vis-à-vis the naira meant that Nigerian manufactured products were generally cheaper than those produced locally in Benin, Niger, Cameroon, Chad or even Côte d'Ivoire. This fact, coupled with the free convertibility of the CFA franc until August 1993 and its continuing reliability as a more stable store of value than the perpetually dwindling and inflation-ravaged naira, served to strengthen the demand in the francophone countries for Nigerian products. This remained so even after the devaluation of the CFA franc in January 1994. There was no shortage of Nigerian traders willing to take goods across to the francophone countries, even as traders from those countries made frequent business trips to important Nigerian commercial centres like Lagos, Kano and Onitsha. Through the efforts of local traders, some Kano manufacturers were thus able to tap opportunities in foreign markets, although the unstable industrial environment meant that only few were able to profit from the demand that built up in the Francophone countries.

One form of investment diversification which gained currency in the late 1980s was the export of agricultural commodities — an activity which had been monopolized by the commodity marketing boards until 1986. Seven

Levantines and four indigenous Nigerians were involved in the purchase and exportation of agricultural raw materials like groundnuts, cotton, sisal, rubber and cocoa. Arguing that their firms were incorporated not just as manufacturing but also as trading organizations, these businessmen stated that they decided to enter into the cash crop export trade as a means of earning foreign exchange to meet some of their needs in the manufacturing business. Interestingly enough, the 11 manufacturers were broadly involved in agro-allied production and, in some cases, the raw materials which they exported were also a major input in their own production process. Twelve other manufacturers, all indigenous or Levantine, reported that they had firm plans to go into the agricultural export trade because of their conviction that through it they would considerably reduce the problem of foreign exchange acquisition, which they faced regularly. This strategy was closely tied to the fact that many of Kano's manufacturers, especially the Levantine and indigenous Nigerian segments, were business people with interests that straddled various sectors of the economy and that saw them playing multiple roles, as producers, farmers, traders, contractors, real estate developers, speculators, big transporters and exporters, with a view to spreading their risks and coping with the policy inconsistencies in the adjustment programme.

◆ 5.2 Rationalization of Production and Input Use

The most important and dramatic element of change in the industrial process relates to the use of large-scale retrenchment. All of the 100 manufacturers covered in our survey reported that they could not obtain enough foreign exchange to purchase raw materials and spare parts. With the sharply increased naira costs of importing these inputs, they had to lay off some of their workers. During the period when they closed temporarily, all of their workers were sent home on compulsory leave. Only three of the employers paid wages to the workers whom they sent on leave for the first month, after which no further payments were made until the factories were re-opened. All of the others offered no payment whatsoever. The three firms that paid wages were all subsidiaries of multinational companies.

Once they resumed production, all of the manufacturers said they did so with fewer workers. Whereas the foreign corporate manufacturers laid off a total of 908 workers, the Levantine and indigenous manufacturers laid off a total of 2,180 and 1,965 respectively over the period from the end of 1982 to June 1992. The total figure of 4,953 retrenched workers represented some 30 per cent of their total pre-crisis workforce. Clearly, manufacturers cut deep into their workforce in their bid to cut their costs and remain in business. Apart from reducing their labour costs that way, they also sought to ensure that the workers they retained took on more tasks than was hitherto the case. Thus, in all of the factories surveyed, it was not surprising that managers spoke repeatedly of their desire to increase the productivity of their workers in order to survive in business.

The widespread rationalization of the labour force was closely linked to changes in production schedules In this regard, two inter-related practices, which affected all manufacturers, were evident. The first centred around the widespread reduction in the level of installed capacity. Without exception,

all the factories in the survey reported that they had to reduce their capacity utilization levels, at times very sharply. The capacity utilization levels of the 100 manufacturing concerns ranged between 35 per cent and 60 per cent. For 78 of the manufacturers, capacity utilization was below 50 per cent.

Closely related to the reduction in capacity utilization levels was the reduction in the number of working hours, or the number of days per week during which they engaged in production, and the number of shifts which they operated. Some manufacturers also restricted production only to a part of the year, sending their workers on leave until they were able to finish selling most of what had been produced during the previous cycle, or had taken delivery of fresh inputs (often using their sales proceeds), or received big orders that could not be met from existing stocks. The number of daily shifts was reduced by 48 of the manufacturers from three to two or one; 30 reported cutting back on the number of hours that they ran per day and eliminating weekend work except during the peak season. The remaining 12 preferred to run two or three shifts per day but produced for only a part of the calendar year, closing down production operations for the rest of the year. Finally, all the manufacturers imposed severe restrictions on overtime work by their employees.

The changes in production schedules fed into the overall cost-cutting logic of many company policies. Many managers emphasized that it made little sense to incur all the costs associated with remaining open all the time when the environment was not conducive to full production. Moreover, the changes in production schedules represented a vigorous attempt to introduce greater flexibility into their production systems in line with the demands of a macro-economic environment. From 1982 to 1992, production patterns zigzagged, at one turn suggesting a slight improvement in capacity utilization and at another a decline in output levels. This pattern required not only flexibility in production processes and labour relations but also in marketing strategies. The factors that underlay the zigzagging ranged, on the positive side, from the receipt of big orders to temporary increases in demand for particular products and an expectation, based on market research, of an upsurge in the demand for particular commodities. On the negative side, depressed market conditions, the continuing depreciation of the naira and rising interest rates featured prominently. As we shall see later, the demands of flexibility were to result, in specific instances, in the wholesale casualization of labour and informalization of aspects of marketing and procurement by several of the manufacturing enterprises.

The demands of greater flexibility in production and marketing fed into other strategies, such as the adaptation of technology, namely, using locally available skills and inputs. All manufacturers reported that they had been compelled to strengthen their engineering/maintenance division(s) in order to keep existing parts operational. Engineering/maintenance staff were also involved in a range of engineering works, such as the in-house fabrication of spare parts, re-tuning of machinery, "cannibalizing" under-utilized equipment and/or junks in order to rehabilitate production plants — and, in the case of Standard Plastics Industries Ltd., building a moulding machine in-house to replace one which had become too expensive to service and maintain. In all of this, managers showed themselves to be keener than ever

before to extend for as long as possible the service life of their machinery and equipment.

Each of the 20 foreign corporate manufacturers reported that they had, additionally, established or strengthened their in-house Research and Development (R&D) units, and five companies had established active links with Ahmadu Bello University, Zaria and Tafawa Balewa University, Bauchi, for the conduct of research in raw materials and the adaptation of machinery. Only one indigenous manufacturer and three Levantine manufacturers reported that they had established contacts with educational or research institutions for research on raw materials and adaptation of machinery. Eight indigenous and six Levantine manufacturers stated that they had in-house R&D units carrying out research into their main raw materials. One of the indigenous manufacturers, the manager of Nabegu Tannery, had found alternative local raw materials for producing dyes in their leather tanning system as a result of their in-house R&D. Nabegu Tannery had, in fact, applied to register its discovery with the Copyright Council of Nigeria and planned to produce the dyes on a large scale for possible export.

The drive among the manufacturers to adapt their technologies both introduced an element of greater flexibility in the employment of technological resources and simultaneously made production schedules more flexible. At the same time, important cost-cutting considerations underlay their decisions in this area since, for many, the foreign sourcing of technology was no longer as cheap or as easy an option as it once was. This cost cutting strategy in turn acted as a catalytic factor in the drive for technological improvisation, especially regarding the procurement of spare parts. The manager of Ceramic Manufacturers Ltd. probably revealed the opinion of other manufacturers as well when he stated that

> "...we now realize that the time that we would spend chasing foreign exchange around to order a part which would take several weeks to get to us can be better spent seeking local alternatives if not within our own factory gates, then from our sector colleagues. We need to be ready at short notice to deliver to our customers and now that customers are king, we cannot afford any delays, even technological delays. Our engineers are proving to be capable and we are using local talent to stay alive" (interview in Kano, January 1991).

The changes in production schedules, relations and processes introduced by all manufacturers were accompanied by steps to radically alter procurement and marketing strategies. The most significant developments centred around attempts to source raw materials locally. All of the 100 manufacturers were attempting to source raw materials locally, with varying degrees of success. All of the indigenous and Levantine manufacturers engaged in the production of plastics, metal and wood products, paper products, retreaded tyres and glass products reported that they were heavily involved in waste product recycling operations relevant to their production lines. For this purpose, they had a chain of agents who bought used and discarded papers, plastics, metal products, glasses, etc., on their behalf. There were also freelance buying agents who were not on their list of buyers but who sold waste products to them for recycling.

At another level, six of the Levantine manufacturers, three of the foreign corporate manufacturers and five of the indigenous manufacturers also reported that they had established farms in rural Kano, Niger, Taraba, Adamawa and Bauchi for the purpose of growing cotton, sugar cane, sorghum, maize, groundnuts and other raw materials which they needed for their production processes. Five Levantine, four indigenous and two foreign corporate manufacturers had direct contacts with farmers, farmers' co-operatives and farming communities in and around Kano State enabling them to have the first right to buy the products of the farmers. Two foreign corporate, seven Levantine and seven indigenous manufacturers also reported that they had buying agents who procured raw materials for them from farmers and delivered them at the factory gate for a fee. Four firms created the post of raw materials procurement and quality control supervisors. We noted earlier that all of the manufacturers were also involved to varying degrees in R&D operations tied to their local raw materials sourcing programmes. Three manufacturers connected with chemical processing activities (two foreign corporate and one Levantine) reported that they obtained some of their raw materials from the Kaduna petro-chemical plant — specifically its refining and benzene arms. The manager of Nabegu Tannery reported that his company had plans for raising cattle on a commercial scale as a means of meeting its requirements for hides and skins, which were often in short supply.

◆ 5.3 Changing Marketing, Procurement and Financial Arrangements

Marketing and finance are central to the calculations of industrialists. It is not surprising that all of the manufacturers in the survey were actively involved in a quest for new ways of selling their products. They felt compelled to do this because of the general collapse of consumer purchasing power. For most of the indigenous and Levantine manufacturers (69 altogether), this entailed the introduction of new, more attractive packaging; the reduction of the sizes and content of packages (especially for those involved in the production of beverages and processed foods); the introduction of discounts on bulk purchases (particularly among those involved in metal and wood processing and fabrication); the opening of sales points in their "catchment" areas; and the intensification of advertising campaigns through the use of handbills.

The market innovations of the foreign corporate manufacturers involved, in the case of 14 of them, introduction of new packaging, and the reduction of the content and size of the new packages. Interestingly, eight of the foreign corporate manufacturers adopted cash and gift incentives as a means of attracting consumers and retaining or expanding their market share. This latter strategy of winning over customers and/or retaining or expanding their market share was not practiced by any of the Levantine or indigenous manufacturers in our survey. Furthermore, only six of the foreign corporate manufacturers reported devoting more resources to advertisements on radio and television; the use of handbills was not a common practice. Market research also became an important preoccupation among all the

manufacturers as competitors not only closely watched the pricing policies of one another but also paid closer attention to market trends, including trends that were directly associated with the entry into the Nigerian market of imports that were facilitated by the policy of trade liberalization.

The changes to manufacturers' procurement and marketing strategies provided ample scope for them to tap informal sources of supply and outlets for distribution on a scale which, in their experience, was unprecedented. It also involved them in networks of supply and distribution which went far beyond the immediate confines of the factory gate. All firms reported that they had frequently received and welcomed unsolicited offers to supply inputs to them. They also had to modify their rules on qualification for the distributorship of their products in order to enhance their chances of raising sales volumes. Sales bazaars were held on a periodic basis by 22 of the manufacturers in order to reduce unsold stocks and win customer loyalty. Neighbourhood or open street vendors of petty commodities were also targeted by their sales teams, either with products or with handbills advertising their products. Special attention was paid by the manufacturers to their most favoured distributors, especially the wholesalers who made the biggest returns. Incentives were developed by factory managers to retain their loyalty in what can be described as an entrenchment of patronage ties.

Problems of market realization and a variety of production difficulties inevitably meant that many producers were faced with intermittent cash flow problems. Similarly, the centrality of foreign exchange and imports to the production structures of most manufacturers meant that they had to devise new strategies to source foreign currency. Not surprisingly, all manufacturers reported that, whereas prior to the onset of the economic crisis, they operated only two or three bank accounts in the country, their exploration of all possible avenues for foreign exchange and local currency had led them to open more accounts with local banks in Kano. This diversification of banking arrangements was made more compelling by the auction approach to foreign exchange allocation introduced under structural adjustment which, official protest to the contrary notwithstanding, did not discourage individual businesses from applying for foreign exchange through several banks.

All manufacturers reported that, in addition to their existing bank accounts, they opened from two to five more new accounts. They were aided in this by the "banking boom" that became a feature of the Nigerian economy from the late 1980s onwards and which resulted in the establishment of over 80 new merchant and commercial banks, which put the number of banks in the economy at over 100. All manufacturers admitted that, in their bid to obtain as much foreign exchange as possible, they regularly submitted multiple allocation requests in the hope that if each bank was able to meet a fraction of their total request, they would have succeeded in meeting a substantial proportion of their needs. Beyond the banks, 40 of the manufacturers also reported that they had "special" links with some of the currency exchange offices in Kano for the supply of some of their foreign exchange needs.

However, there was ample evidence available to show that three Levantine manufacturers and two of their indigenous Nigerian counterparts were very active on the parallel currency market, where they traded foreign exchange

obtained from the official market at the official auction rate at the parallel market rate — thereby earning a huge premium with which they paid off bank loans, paid for some locally sourced inputs and met their wage bills. In the case of one of the Levantines, access was gained to an important Kano parallel market currency dealer responsible for buying and converting part of his foreign exchange allocations into local currency. In other instances, the manufacturers themselves set up foreign exchange bureaux either on their own account or through relations. Thus, the submission of multiple foreign exchange applications through a multiplicity of banks was not only a means for ensuring greater hard currency receipts from the auction but, equally importantly, a route for earning a premium on the parallel market. This rent-seeking element associated with the foreign exchange market was a widespread feature of the Nigerian political economy during the 1980s and 1990s.

Another financial innovation centred around re-structuring the share capital of companies with a view to raising capital more easily and cheaply to finance operations. The sharp devaluation of the naira following the introduction of SAP in 1986, the resulting devaluation of the capital base of firms, the cash flow problems faced by many companies and increased production costs were central factors to the decision of all manufacturers to revise their authorized and share capital structures with a view to increasing the amount of money that shareholders were required to subscribe. The manufacturers' "recapitalization" of assets was biggest among the foreign corporate producers. None of them increased share capital by less than N500,000, while the single biggest increase was by N2,000,000. The new share structure was fully paid up by subscribers. As to the Levantine and indigenous manufacturers, the increases in paid-up share capital ranged from N100,000 to N1,000,000. The majority of the Levantine and indigenous manufacturers, some 55 per cent, raised their share capital by N500,000.

A related strategy revolved around the question of input procurement. All managers surveyed reported that, at one time or the other — or even on a regular basis — they had entered into what the manager of Kano Plastics Limited described as "Industrial IOUs". In such arrangements, companies basically borrowed equipment, raw materials, spare parts and technical staff for short-term purposes and either replaced or returned them to their original owners. This practice was particularly pronounced among Levantine manufacturers — all of them had been involved in such arrangements at least twice a year between 1989 and 1992. Indigenous and foreign corporate manufacturers relied on the practice less often. Indeed, six of the foreign corporate manufacturers said they did it only on a one-off basis and that the price implications meant it was not something to be repeated except under great necessity.

The practice of Industrial IOUs was reinforced by the increasing resort to equipment leasing, which most Kano manufacturers had been reluctant to do. But faced with the very high costs of replacing their equipment, including their motor vehicles but also some of their basic production and/or packaging machine pieces, they began, in the late 1980s, to lease equipment. Twenty of the manufacturers said they were introduced to the service by their bankers while another 46 said they discovered the service themselves. The remaining manufacturers were either approached by the managers of

equipment leasing firms or were told about the service by other manufacturers. All of them pointed to the cash crunch they often faced, and in their bid to avoid tying down too much capital they found equipment leasing quite attractive. The fact that the leasing terms allowed them to spread out payments, and the fact that payments were not too large, made the arrangement attractive to them. Leasing fit well their financial management strategies, given the periodic cash flow difficulties which meant that they had to avoid or delay huge financial outlays. Moreover, they were able in some cases to profit from new technological innovations without having to invest all of their earnings in the procurement of one piece of equipment.

Despite differences in financial arrangements, all manufacturers sought more flexibility in meeting the challenges of a rapidly changing economic environment. In the attempt to do this, some of them became directly immersed in parallel market financial activities, and for most, the line between the "legal" and the "illegal" in their foreign exchange dealings became somewhat blurred. Networking within the manufacturing community also became an important factor in the struggle for survival; although the evidence of Industrial IOUs pointed exclusively to intra-foreign corporate, intra-indigenous and intra-Levantine exchanges, this should not detract from the important role that collaboration of this kind came to play in the overall strategies of the various manufacturers. It is, however, worth pointing to the possibility that the absence of IOU arrangements between indigenous Nigerian manufacturers and the Levantines or between the two and foreign corporate capital may be indicative of some of the difficulties involved in building and sustaining sectoral and cross-sectoral forms of solidarity that cut across nationality and other barriers. Unfortunately, it was not possible to follow-up the question of why Levantine, Nigerian and foreign manufacturers found it easier to engage in such IOU arrangements within their own communities but not with one another. All were, however, united in the market for equipment leasing.

◆ 5.4 Changing Managerial Strategies and Relations

One of the biggest challenges posed to manufacturers by the crisis and adjustment measures was the question of management and its acumen. There was a consensus among the manufacturers that even if they managed to get other things right but got their management practice wrong, they were likely to fall victim to the depressed economic climate in the country. Not surprisingly, therefore, all manufacturers reported that during the 1980s, they had to re-organize their management structure. In part, the re-organization exercises were necessitated by redundancies and staff retrenchments. Eighty-six of the manufacturers retrenched one or more staff of a managerial grade. All 100 laid off one or more shop floor employees occupying the supervisory grade. But beyond the retrenchment of staff, it was necessary to re-organize managerial structure because manufacturers sought to give production and sales staff a more central role in factory decision-making and strengthen R&D operations.

Among the foreign corporate manufacturers, a common practice in their quest to strengthen their managerial capacity was to seek an increase in their expatriate quota allocation, which they invariably got, and recruit managers from Europe to strengthen their existing managerial team. Each of the 20 foreign corporate manufacturers recruited at least one new manager from abroad after 1982. The emphasis was on personnel with developing country experience(s) from other parts of the Third World. Even as they were laying off some of their existing locally-recruited management staff, eight also embarked on recruitment drives aimed at recruiting senior staff for their production, marketing and finance/administrative/personnel departments. There was a deliberate decision in all cases to ensure that the managerial staff were given more responsibilities over their departments/divisions, including, as a manager at Mentholatum Nigeria Limited put it, "...the responsibility to take all the blame if a chosen strategy falls apart to the detriment of the company".

Among the Levantine and indigenous manufacturers, the picture that emerged was somewhat more complex. Of 33 (19 Levantine and 14 indigenous) who said members of their immediate or extended families were involved in the running of their factories at a managerial/director level, 20 (11 Levantine and 9 indigenous) said that as of 1982 they had dropped family members in the managerial/director cadre who either had no training in management, showed little or no interest in the business, or had difficulty getting on with other staff members. Interestingly enough, 21 other Levantine and indigenous manufacturers (14 and seven respectively) who previously did not involve the members of their immediate or extended families in the management of their businesses decided to do so. Pressures from their children/relations who had taken degrees at the university level and were dissatisfied with the employment they had in the public/private sectors seemed to play an important role in the decision of the seven indigenous manufacturers to involve family members in the management of their businesses. As to the 14 Levantines, they spoke of the arrival in Kano of their skilled relations from the Middle East, mostly Kuwait, Iraq and Lebanon, who had to come to Nigeria following the outbreak of the Gulf War with skills potentially beneficial to the companies.

All companies sought to decentralize decision-making in order to improve flexibility. Decisions about production and marketing, for example, which had previously been taken by the head of the company were now devolved in varying degrees to senior managers, who were encouraged to take more initiatives and to make decisions based on their calculation of the best interest of the firm. This should not be surprising as managers increasingly found themselves being involved in "field" operations either to do market research, follow-up potential/new raw material sources, tap new markets through private contacts, actively seek out orders and negotiate discounts within broad company guidelines, or maintain contact with a pool of skilled workers kept on stand-by for re-engagement as market and production situations demanded. To cement the process of decentralization, one of the firms, Raleigh Industries, brought in middle level managers and supervisors from its highly successful Malaysia branch, with the aim of strengthening their loyalty to the firm. This course ran over a two-week period in 1991 and was replete with examples of how managers in Malaysia coped with new

responsibilities and took decisions within the ambit of their responsibilities to serve the best interests of the company.

As to the mixed picture on both the discontinuation and the recruitment of family input into the management of many of the firms, it seems that those who tried to curtail the involvement of their families in direct managerial roles did so in order to increase the scope for the exercise of professional judgment in the management of enterprises, while those who brought in their relations felt that they stood to gain from entrusting decision-making powers to family members at a time when decentralization in the firm had become inevitable. In general, those who shed family connections in their management structure had had previous negative experiences in using them while those who took them on had had no previous experience, at least not on an extensive scale.

6. TRENDS IN INFORMALIZATION

Several workplace strategies were unique to manufacturers belonging to particular sub-sectors or groups. Some of these strategies were not always practised in all cases by all members of particular groups or sub-sectors. They generally corresponded to the determination by firms' management of measures necessary to meet the challenges of manufacturing in a changing economic environment. Many of these specific coping strategies fed into the generalized industry-wide attempt towards greater flexibility, decentralization, the tapping of informal socio-economic processes and structures, and the construction of patronage and solidarity networks. These are discussed below, to offer insight into the variety and complexity of manufacturers' responses to the changing structure of rewards and penalties. The main strategies involved casualization of the labour force, the dissolution of in-house unions, the use of patronage networks in industrial relations and use of informal methods of marketing products. These are grouped below under two categories: the informalization of the labour process and the informalization of marketing arrangements.

◆ 6.1 Informalization of the Labour Process

Informalization of the labour process entails several strategies, the first being the use of daily paid casual workers. This was employed by 17 of the manufacturers in our survey — 10 Levantine and 7 indigenous. The 17 manufacturers retained a small corps of regular, skilled and semi-skilled workers who were in charge of handling delicate tasks and of directing the work of the daily paid casual labourers. These casual workers were hired and fired by regular supervisory staff who were also responsible for paying their daily allowances. The important thing to note is that the workers were not guaranteed work beyond the day for which they were hired; they also had none of the allowances or benefits to which regular employees were entitled. Manufacturers who practised this kind of recruitment policy claimed that they did so in order to cut costs and maximize the output of their employees. There is no doubt, however, that it also conferred them with a great deal of

flexibility in labour matters, and in other aspects of factory production and product marketing. Furthermore, through this strategy, the manufacturers sought to eliminate their social obligations to their workforce.

It is interesting to note that only three of the manufacturers (two Levantine and one indigenous) reported that they had used casual labour prior to 1982, i.e., before the onset of the economic crisis. The entry of more manufacturers into the casual labour market also meant a greater involvement with informal processes of recruitment, in which supervisors enjoyed considerable room for developing networks of patronage in the distribution of work. Ethnic and religious considerations invariably went into definitions of "trustworthiness" and "reliability", which supervisors reported as the main factors in their decision to offer a place to someone among the army of applicants. Once recruited, these patronage links were important in that, within the overall insecurity of tenure associated with casual work, individual employees were able to "ensure" that they could return the next day. Clearly, such patronage relations were fostered by the drive for cost-cutting and flexibility within the firm.

A second strategy in the informalization of the labour process is the dissolution of in-house unions. As can be expected, those manufacturers that embraced the use of daily paid workers were in the frontline of those who were most hostile to trade unions. Out of the 17 manufacturers who employed casual labourers, 14 had in-house unions before 1982 but, in the course of the 1980s, managed to dissolve the workers organizations. Attempts by local union activists to organize the casual workers were resisted by the manufacturers, who either fired workers who attended rallies organized by the unionists or called on the police to bar their gates against the union officials. But 12 other manufacturers who did not employ casual labourers also made a point of dissolving the unions in their factories. Almost invariably, they took advantage of periods of temporary closure or the mass redundancies/compulsory leaves they declared in the course of the 1980s to prevent union activities once they resumed operations partially or fully.

The manufacturers who embarked on the dissolution of unions claimed that, in the face of their current difficulties, they did not wish to be distracted by union disruptions or "unreasonable" workers' demands that could not be met. But more than that, their strategy was designed to free their hands completely in matters of in-house industrial relations, enabling them to impose their own version of workplace "discipline" in a context of weakened worker bargaining power. With the environment of economic crisis and structural adjustment tilting the overall balance of power decisively against certain categories of workers, these manufacturers attempted to seize the opportunity to re-structure to their own advantage the industrial relations within their firms. The overall aim of re-structuring was to enhance management's control over workers.

The dissolution of unions was complemented by a third strategy: the use of patronage systems in one guise or another in at least 18 factories, involving one foreign corporate manufacturer, twelve Levantine and five indigenous manufacturers. The system of patronage ranged from the recruitment of a few shop floor workers and supervisors who, in return for favours, helped to

monitor shop floor activities and reported directly to the management, to the prevention of union organization or activism in return for extra bonuses. In those factories where some supervisors or shop floor workers were given the task of recruiting new workers, a relationship of patronage almost invariably operated in the system. These categories of workers were also most directly involved in the co-optationist and corporatist schemes devised by the manufacturers. In one of the Levantine factories, the intensification of the competition for attention from management resulted in the use of the derogatory term, *angulun maigida* (Hausa for "the boss's vulture") in shop floor conversations to describe those who play such roles.

Clearly, the attempts to develop patronage systems within the factory were closely tied to the desire of manufacturers to increase or tighten their control over the labour force and the entire labour process. Thus, even as the manufacturers attempted to decentralize important aspects of their decision-making processes, they simultaneously sought to increase their control over the workforce. It is debatable whether this strengthening of labour controls through in-house patronage was effective in the long-run, but the only foreign manager who employed this strategy stated that it was extremely effective in checking idleness and pilfering. Whatever motive underlay this strategy, it certainly fed into the overall changes in industrial relations associated with the dynamics of crisis and adjustment.

In the case of an indigenous manufacturer of perfumes, for example, the informalization of the labour process included attempts to change the gender composition of the workforce, employing only single/divorced women, some 90 per cent of them on a daily paid basis. Prior to the decision in 1988 to re-compose the workforce, the perfumery had a total of 300 employees, 115 of whom were women. Of these women, about three quarters were married while 15 were divorced but post-menopausal. Taking advantage of the problems posed for industry by the continuing crisis in the economy, the company laid off all of its workers, was shut down for six months and when it resumed production on a heavily reduced capacity, it did so with an all female workforce paid daily and not offered any allowances. In other words, as part of the manufacturer's survival strategy, labour was casualized and drawn from a segment of the population which, in his estimation, allowed for the greatest flexibility and the least cost. Indeed, the manufacturer claimed that he had successfully reduced his labour costs by some 22 per cent.

A fourth strategy of the informalization of the labour process is the sub-contracting of aspects of production to ex-employees. This practice was not widespread, partly because of the problems of standardization and complimentarity of products, as well as the reliability of steady supplies from sub-contractors. Indeed, only one manufacturer, a Levantine investor who had been in garment manufacturing since the mid-1970s, used sub-contracting as part of the cost cutting measures which his firm embarked upon after 1987. The staff strength of this company was reduced by 60 per cent from 200 employees to 80; sub-contracting agreements were then concluded with 14 of the retrenched workers, the most highly skilled according to the manufacturer, under which the workers, now in self-employment, carried out tasks such as cutting materials supplied to them according to company specifications and on an agreed schedule. The former

employees were supplied with sewing machines under a credit arrangement with the company which, according to the manager, they all lived up to. During peak production periods, they were engaged under sub-contracting terms to finish garments, i.e., cut and sew, according to company specifications. As it is, the factory now carries out minimal cutting; the bulk of the shop floor workers still in full employment carry out finishing and packaging operations.

The strategy of sub-contracting reflects one dimension of decentralization that many factories in Kano had to undergo. In this case, industrial disaggregation and flexibility involved aspects of the production process being re-located outside the factory. The manufacturer was also able to reduce in this way any overheads that would normally have gone into the provision of transportation and other allowances to the former employees who were now self-employed. The use by the ex-employees of machinery supplied by their former employers acted, at one level, to ensure their loyalty and, at another level, to provide a small source of revenue to the manufacturer as payment for the machines flowed in. For the workers, one attraction in the arrangement was its flexibility, which allowed them to take on other jobs on their own account as well as the possibility that they could eventually become owners of the sewing machines under what was strictly speaking a hire purchase arrangement with the manufacturer. For the manufacturer, the elements of flexibility were reinforced by the hope that many of the self-employed workers would find the new "partnership" attractive enough to continue the relationship even after paying up for the machines.

A variant of sub-contracting is the production of goods for other manufacturers. Three of the surveyed manufacturers were doing "very good business", as one of them put it, servicing the needs of other manufacturers. The source of this business was the increased interest shown in the use of recycled products. Most of the companies using recycled paper, plastics, bottles, leather and other such inputs did not have machinery for carrying out the recycling processes. Three firms (one leather-processing factory owned by an indigenous manufacturer and two Levantine-owned plastics factories) reported being actively involved in processing recyclable materials for corporate customers and claimed that this new line was one of their most lucrative. Two other firms, one Levantine-owned and the other foreign corporate, both with metal pressing and moulding plants, said they had concluded plans for servicing the needs of corporate customers, having identified that service as a potentially profitable and stable source of income. This development was probably indicative of a small trend towards greater specialization in the manufacturing sector. It was difficult to determine the extent to which it could, if sustained, reduce the burden assumed by many firms in the area of input procurement, however, because of the absence of suppliers whose activities could be integrated with those of other manufacturing establishments.

◆ 6.2 Informalization of Marketing Arrangements

Closely related to the informalization of the labour process is the informalization of marketing arrangements. This assumes various forms:

payment of workers in kind, recruitment of informal sales agents and introduction of production-on-order schemes. Twelve manufacturers (two foreign corporate, five Levantine and five indigenous) reported that in the course of the 1980s, as the crisis of market realization deepened and their cash flow problems worsened, they reached agreement with their workers for payment partly in cash and partly in the companies' products. The twelve manufacturers that paid workers partly in kind were producers of cosmetics, sweets and confectioneries, vegetable oil, plastic products, textiles and paper products. The products allocated to the workers were, according to the manufacturers, given at prices that were about 50 per cent of their production costs, ensuring that when the workers sold them, they were able to earn a profit that was equivalent to or exceeded the amount they would have received had they been paid fully in cash. The manufacturers maintained that by paying workers in kind, they were able to relieve some of their cash flow problems and also indirectly sell their products — albeit at a fairly big discount. This strategy was therefore inter-connected with the efforts of the manufacturers to innovate in managing their finances and reducing their unsold stock.

An innovative strategy for overcoming the constraints of market realization is the employment of female sales executives. Five of the companies surveyed (two indigenous and three Levantine) reported that they had overhauled their sales departments to introduce a new marketing strategy that relied on the use of female sales executives. These sales executives had attained either secondary school education or Nigerian polytechnic diplomas and university degrees. They were paid on a commission basis and were required to spend most of their time in the field introducing the products of their companies to potential customers who were likely to place big orders. Their commission was calculated as a percentage of the order they were able to bring in. They were not tied to specific hours, although their appointment was liable to be terminated if after six months they did not show appreciable results. Furthermore, as roving sales persons, they had the company marketing manager as their principal point of reference in the factory.

The use of female sales executives to "lure" customers opened up a gender question as the criteria for recruitment emphasized "youth", "excellent communication" and "presentability". These requirements not only ruled out certain categories of women (for example older and married women) but also produced ample scope for abuses in the relationships between the sales persons and their managers — who in all cases were men and were often conscious that they had a lot of latitude in determining which women were recruited or retained by the company. Furthermore, the drive for female sales executives by the five firms also signaled the commencement on a small scale of alterations in the gender composition of the factory labour force. Hitherto, the tendency was to have women in junior/middle level personnel/clerical positions in most factories and as shop floor hands in a number of industrial sub-sectors like textiles, pharmaceuticals and cosmetics where they were deemed appropriate for employment by managers.

A complimentary market strategy is the recruitment of "roving" sales boys. Five of the manufacturers surveyed (three Levantine and two indigenous Nigerian) reported that as part of their sales strategies, they recruited sales boys who were supplied with confectioneries (sweets, biscuits, chewing gum

and soft drinks in paper packs) to sell on their behalf. For each item they sold, they received a commission of 5 per cent of the unit retail price. As security, each of the sales boys was introduced and guaranteed by a "responsible" person in full employment and resident in Kano. In a number of cases, guarantors were employees of the firms who took the opportunity to involve their sons or male relations as part of their own wider household coping strategies. One of the companies printed promotional tee-shirts, some of which were given to the sales boys.

Unlike the female sales executives, the sales boys were not really employees of the firms and the kinds of agreements that manufacturers entered into with their wholesale customers were totally absent under this arrangement. (Incidentally, none of the firms employing the female executives was involved in using the "roving" sales boys.) The use of the sales boys was loosely organized. Although it was considered an important marketing strategy — with the firms having an average of 50 sales boys each — it represented an effort on the part of the producers to employ informal distribution chains to achieve greater market realization. To the extent that employees were also allowed to introduce and guarantee sales boys — and instances abounded where they did so — it provided an insight into one instance of an interplay between manufacturers' workplace strategies and workers' household coping mechanisms.

7. COMMUNITY-BASED AND COLLECTIVE ACTION STRATEGIES

Involvement in community activities is a central feature of the business culture in Kano. It serves as an important source of legitimacy to entrepreneurs who operate in a social setting where the lines between business and "philanthropy", and public and private interests, are sometimes blurred. However, during the oil boom period business itself did not really play much of a prominent role in community projects beyond periodic donations to orphanages or schools and occasional sponsorship of small-scale sporting activities for which a great deal of free publicity was received. The fact that the fiscal strength of the state permitted relatively large-scale interventions in the social field meant that pressure on the private business sector to contribute to social and community development was not very strong. During the course of the 1980s, however, some of the country's bigger private sector players began to take on a more active community/social role. This process was further accelerated by the creation of many non-governmental organizations dedicated to the promotion of social development at community levels. Many of these organizations turned to the private sector for resources (Olukoshi, 1994).

In this section, we are mainly interested in the way entrepreneurial efforts at community involvement dovetailed into wider forms of participation in the corporate organizations of the business entrepreneurs, the Manufacturers' Association of Nigeria and KACCIMA. To what extent did such collective

efforts shape the direction of industrial restructuring and aspects of the adjustment programme in general?

The community level strategies of the three groups of entrepreneurs take a variety of forms. At one level, all of the manufacturers, irrespective of their sub-sectoral location or their origin, reported that they had at one time or another been involved in joint community level action to influence the state and its agencies. For instance, in 1990, the manufacturers surveyed with factories in Sharada Industrial Estate took joint action involving formal representation to the state military governor, on the collapse of telecommunication facilities in the estate. Earlier in 1989, the Bompai-based manufacturers surveyed made representation to the officials of the Kano municipal local government on the blockage of the drains in the estate, which had increased the problems of discharge of industrial effluent. Eighteen manufacturers were also active in neighbourhood pressure group activities for the rehabilitation of roads in the Nassarawa residential area and the restoration of other decaying infrastructure.

Such joint actions were novel in the experiences of the manufacturers. None of them could recall earlier involvement in such joint activities that brought together manufacturers and local community groups to tackle common problems. The branches of MAN in Sharada and Bompai played key roles in mobilizing opinion among the manufacturers in support of the representation made to the state government authorities, but not all of those surveyed who signed the memoranda were active in the organization prior to the mid-1980s. Fifteen manufacturers reported that they had joined the organization in 1985 in their effort to ensure that it represented their interests at a time when it was beginning to take on an activist profile in national economic affairs. The remaining 85 manufacturers had been registered members of MAN prior to 1985, although the degree of their activism varied considerably. After 1985, however, all manufacturers generally took a very keen interest in the affairs of the organization, attending its meetings and participating in its activities. Similarly, all manufacturers surveyed were registered members of KACCIMA by 1989.

Clearly, one result of the more favourable disposition of Kano's manufacturers towards joint action on matters that affected their collective interests was the strengthening of the organizational capacity of MAN and the state's Chamber of Commerce. MAN itself had become a key national player in efforts to influence the direction of the adjustment programme. During the course of the 1980s, it re-organized its national secretariat, appointing a very competent and highly respected executive director who was also a former diplomat with strong grounding in economics and policy. The re-organization process also entailed the creation of new research positions that enabled the organization to assess the state of the national economy. Among the most important outputs of the revamped MAN were the pre-budget proposals that suggested what the government ought to be doing to improve the prospects for national economic recovery. Its commentaries on the actual budgetary statements of the government, including the detailed post-budget briefing by the finance minister, were also widely sought after. So too were its half-yearly reviews of the overall performance of the national economy in general and industry in particular. It was largely thanks to the strong lobby that MAN came to represent that the

federal military government decided to hold yearly business luncheons with "captains" of industry, commerce and financial services to exchange views on the management of the economy and its future prospects.

MAN also took on a frontline role in researching and exposing incidences of dumping on the market. During the course of the late 1980s and early 1990s, MAN's repeated references to the growing incidence of dumping, and its dismissal of the 1990 interim tariff structure as a traders' tariff, led the government to set up a tariff review tribunal. The tribunal was to uphold MAN's submissions about the dumping of batteries and fishing nets on the Nigerian market. MAN encouraged its sectoral and district units, as well as its state branches, to bring their concerns to the attention of the relevant authorities. In situations where agencies like the customs and excise department were slow in implementing policies conceded to manufacturers, MAN pressured them to act. It played a key role in encouraging its members to join the Nigerian Employers' Consultative Association (NECA), which became the most effective forum for the negotiation with unions of workplace rules and workers' remuneration. MAN's activities at the national level were complemented by those of the National Association for Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA). Like MAN, NACCIMA was also revamped during the second half of the 1980s.

In Kano, both MAN and the Chamber of Commerce not only defended the collective interests of the business sector, they also became the most reliable sources of information on developments in the industrial and commercial sectors of the Kano economy. The records of MAN and KACCIMA meetings from 1987 to 1991 are replete with complaints about and criticisms of the adjustment programme. Individual leaders of the two organizations were also very vociferous in their public criticism of the programme, particularly as it relates to the exchange rate, interest rates, tariffs and trade liberalization. Umoru Mohammed, a leading indigenous manufacturer and former leader of MAN, has played a major role in this regard. Like their parent national association in Lagos, Kano manufacturers have devoted some of their funds to strengthening the research and documentation work of MAN. The organization is thus able to provide informed responses to the budgetary statements of both the federal and state governments. This strengthening of organizational capacity in turn reinforced the credibility of MAN and the Kano Chamber in their negotiations with the Kano State government as well as in their bid to carry along some of the concerns of other interest groups, such as workers, the unemployed or consumers, into their campaigns to seek a modification of particular state policies.

For example, in December 1989, at a meeting with the military governor of Kano at which the most senior government officials were in attendance, executives of MAN and KACCIMA made a strong case for a drastic reduction in interest rates and a strengthening of the naira exchange rate in order to ensure that manufacturers were able to keep as many people as possible on their jobs. They also justified this demand on the argument that it would help to reduce the cost of goods for the "masses" and make 1990 a happier, more prosperous year for all. The populist edge that MAN and KACCIMA began to build into their strategy during the second half of the 1980s was to continue into the 1990s. They supplemented it with appeals to the "patriotic" instincts of public officials. These appeals to patriotism

invariably took the form of attempting to couple the dwindling value of the naira with the national dignity or the survival and prosperity of industry with national honour and the country's leadership role in Africa.

Going beyond joint actions taken during the course of the 1980s to defend common interests at the community level, records of meetings organized by MAN from 1985 to 1990 and our own observation of two such meetings in 1991 (May and June), however, suggested clearly that the most active group in the organization's activities, which also made the most input into its customary pre-budget memorandum to the federal government, was the foreign corporate manufacturing class. In terms of their regularity of attendance, numbers at meetings, and contribution to debates, the foreign corporate manufacturers were definitely in the frontline. A majority of the indigenous manufacturers surveyed who were equally active were either officials of MAN or members of its ad hoc or standing committees dealing with issues of concern to particular trade groups. Levantine manufacturers, like the majority of their indigenous partners, while maintaining their nominal membership of MAN and attending occasional meetings (the budget and annual meetings in particular), appeared generally to have reduced levels of direct involvement in the organization's activities.

Certainly, lack of appreciation of the role MAN could play on their behalf was not the factor behind the apparent disparity in interest in the organization's work. Without exception, Levantine and indigenous manufacturers enthusiastically reported that MAN was playing an important role, and on account of this, they paid their subscription fees and other dues regularly. Like their foreign corporate counterparts, they were also sure that the organization's role was now more relevant than ever to their survival and accumulation strategies. It would seem that the main reason for their lower level of input into MAN's activities owed a great deal to the fact that, unlike most of their foreign corporate counterparts, they were more deeply immersed in multiple business activities that not only required networking with state officials but also negotiation of informal arrangements.

Multiple business interests that straddled several economic sectors and involved informal processes and patronage networks were, of course, extremely time-consuming — a fact which some of the Levantine and indigenous manufacturers were hinting at when they reported that they were too preoccupied with the daily struggle of keeping their factories open and their business interests going to have enough time to spare for all of MAN's meetings and activities. A similar attitude was taken by these two groups towards KACCIMA. Except where they were members of the executive or standing committees, they were generally not too directly active; the foreign corporate manufacturers who were members of the organization were generally more interested in its activities and its role in assisting operators of factories in solving problems with the production process.

The Kano State Foundation (KSF), a state-initiated effort at providing social amenities, including educational institutions, and rehabilitating infrastructural facilities, attracted the active and high profile participation of 10 indigenous manufacturers, 25 per cent of those surveyed. KSF, financed by public and private donations, was charged with filling developmental gaps that arose from the diminished capacity of the state to finance most of

its projects, let alone those which particular communities might wish to see supported. As described by the military government of Kano, KSF was an attempt at massive community self-development. The 10 indigenous Kano manufacturers donated or pledged varying sums of money (from N1,000,000 to N10,000,000) to the work of the Foundation. Given the continued importance of state connections and patronage in business activities, it is not surprising that indigenous entrepreneurs took so active a part in the launching of the Foundation, an event that attracted participation from the very highest levels of the incumbent Kano State and Federal military governments.

It is interesting to note that three of the 10 indigenous manufacturers who made large donations at the launching of KSF were also recipients of contracts for food grains, grading of roads and supply of textile products awarded by the Foundation in 1991-1992. One manufacturer was a member of the board of trustees charged with overseeing the work of the Foundation. Clearly, in bidding for the contracts a direct linkage was perceived between community role and business interests, leading to friction with the management of the Foundation. That the resources of the Foundation became a focal point of conflict between its management and some of its benefactors in the early 1990s should not be surprising. At the ceremony to launch KSF, over N100,000,000 was donated and pledged, and the agency became a veritable source of patronage that some of the bigger individual donors hoped to benefit from. The intense struggle for control of the organization was eventually to lead to the replacement of the head of KSF by an appointee with whom many of the board members and the officials of the military governor's office felt more at ease.

Except for such status-enhancing fund raising events, Kano's manufacturers were not directly involved in any community-based projects for alleviating the effects of adjustment on society. Instead, we observed that the pre-crisis, Islamic-based tradition whereby the wealthy were actively involved in the giving of alms (*saddaka*) and in the retention of a number of hangers on, sometimes numbering over 100 people, remained a prominent aspect of the strategy of some of the bigger indigenous manufacturers of Kano who are also Muslims. They explained this practice in terms of the Islamic injunction requiring alms-giving by the faithful. Two of these manufacturers reported that in 1991 they sponsored between them 16 members of their extended families and their residential neighbourhood on the *hajj* pilgrimage. A number of them also built neighbourhood mosques during the second half of the 1980s and made personal donations to Islamic volunteer groups in the Kano area.

8. CONCLUSION

How do these varied coping practices translate into sustainable accumulation in the manufacturing sector? The net effect of the economic crisis and the macro-economic policies of adjustment has been to set in motion a process of de-industrialization. But de-industrialization is not an inevitable outcome and the process of industrial decline is not uniform across the manufacturing

sector. A lot will depend on the stability of the macro-policy environment and the capacity of the federal government to provide effective institutional support to those manufacturers who have shown encouraging signs of adaptability. Against the odds, a number of manufacturers in all three groups have been very innovative and persistent in attempting to restructure their firms and remain viable. The degree to which they have been successful has, of course, varied considerably. However, there is now a greater degree of flexibility, decentralization and cost-consciousness in the manufacturing sector as whole.

A key element shaping the overall strategies of many Levantine and indigenous manufacturers was their involvement in a multiplicity of activities, which led them to straddle several business sectors. This was one means by which they sought to spread their risks in a highly volatile business environment prone to frequent and numerous policy reversals. Furthermore, straddling enabled them to be even more flexible in their operations, juggling resources from one activity to the other as the need arose. But straddling also meant that these manufacturers remained inserted in informal processes and were closely tied to the dynamics of rent-seeking in the wider political economy. There is no doubt that straddling enabled them to profit from the distortions that inhere in the Nigerian economy; it probably also explains why the commitment to a corporate path of development was relatively more underdeveloped among the Levantine and indigenous manufacturers than among their foreign corporate counterparts. For many of the Levantine and indigenous manufacturers, straddling certainly facilitated efforts to access local resources — especially as, unlike their foreign corporate counterparts, they did not have access to the resources of parent firms operating in the advanced global markets.

The informalization of the labour process and of marketing arrangements was central to the survival strategies of many firms. The new labour régimes were far more detrimental to workers than the fairly more structured patterns of recruitment and bargaining that were hitherto prevalent. The jettisoning of most workers' rights and entitlements under the régime of casualization and the absence of any coherent state social policy to meet the needs of workers has opened up a potentially new dimension to Nigeria's urban social crisis.

Regarding the twin issues of the sourcing of local raw materials and production for export, a complicated picture has emerged. At a certain level, all the Kano manufacturers displayed an awareness of the need to source inputs locally wherever possible. Some of the manufacturers were in fact using local substitute raw materials in their production process. But those firms that remained import-dependent — and they were many, ranging from the soft drinks factories to those producing chemical products — simply mobilized funds locally and obtained foreign exchange in order to import the required inputs — taking full advantage of trade liberalization. Interestingly, trade liberalization also exposed the manufacturers to vigorous competition from cheap imports consisting of new and used (second-hand) commodities, a development which served to reinforce their problems of production and marketing. Indeed, as cheap imports of consumer goods flowed into the national economy, particularly from East Asia, many Nigerian manufacturers were to protest vigorously about the dumping of goods on the local market

by foreign business interests. In a few cases, their claims were upheld by the state (Olukoshi, 1992).

The removal of price controls by the state also meant that manufacturers could freely set prices for their products with a view, in some cases, to making big naira earnings on relatively small sales figures/turnover and a stagnant/diminishing capacity utilization level. The cost to this was that on the whole, their market gradually narrowed and the ambition which they may have had to develop and profit from economies of scale relying on a mass market was, at least temporarily, lost. For the numerous manufacturers in this category, irrespective of whatever efforts some of them may have been making or had made to source inputs locally (and some had made significant and successful efforts), it was, in some sense, a case of business as usual even as they tried to adapt to the new economic reality. Of course, as the survey data have demonstrated, a significant number of firms did make serious attempts to alter their production structures in order to use local inputs. On the whole, however, it is difficult to conclude that a decisive industry-wide change has taken place in the overall orientations of the firms as far as their inputs are concerned.

As to production for export, the response of the manufacturers has generally been quite poor even though the rate of growth of manufactured exports improved during the 1980s. Data for national industry as whole suggest that manufacturing exports as a share of total exports grew from 0.9 per cent in 1980 to only 2.1 per cent in 1991 (UNCTAD, 1995). The leading manufacturing exporter in Kano today started plans for export production well before the introduction of SAP. The bulk of the Nigerian manufactures that found their way to neighbouring countries were mostly taken there by autonomous, mostly informal, traders rather than as part of systematic export drives by the manufacturers themselves (Egg and Igue, 1993). Interestingly, no new firms had been established in Kano since 1986 dedicated wholly or partially to production for export. A number of the Kano manufacturers surveyed were, instead, involved in the export, from time to time, of peasant agricultural products as a means of earning foreign exchange autonomously to sustain old structures of production that were built to be dependent on foreign sources of inputs.

The persistence of old structures and orientations in production, even in the context of increased awareness of the need for industrial restructuring, is partly the result of the huge costs associated with change. Starting off from a low base of intermediate and capital goods production, it was very difficult for firms to divert resources to the sourcing of inputs when the naira was unstable and had rapidly depreciated, and when interest rates were over 30 per cent in 1991. Collectively, the 100 manufacturers surveyed reported that they had tabled requests for foreign exchange in 1991 amounting to some US$ 342 million. It would be fair to state, without diminishing the significance of the industrial adjustments that have been made, that manufacturing activities remained generally import-dependent and that economic activities in Kano and the country still remain heavily externally-oriented.

When the quest by the manufacturers for flexibility and decentralization is viewed in conjunction with the continuing low levels of capacity utilization

in industry (averaging 38-40 per cent), it becomes legitimate to ask whether the existing structure of incentives and the responses it has elicited could ever stem the crisis of decline facing the manufacturing sector. This is not an easy question, but in the face of the virtually stagnant or even dwindling levels of output in most factories and the growing immersion of many manufacturers in multiple business activities, it is difficult to avoid the (perhaps provisional) conclusion that Kano may be confronted starkly with the danger of de-industrialization. This trend must be recognized and appropriate measures adopted to support the vibrant adaptive strategies pursued by a number of manufacturers. Indeed, as manufacturers get more deeply immersed in commerce, services and speculation, factory production is bound to be negatively affected. This is especially true as the overall structure of incentives in the Nigerian political economy, especially after the political crisis of 1993, appears increasingly to favour non-productive activities built on a short- as opposed to a long-term perspective.

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