Manufacturing Industry Competiveness: the impact of socio-cultural factors on FDI inflows to Nigeria since 2000

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Abstract:

The level of investment is a key driver in helping Multinational enterprises (MNEs) face the challenges of today's fast and dynamic 21st Century global business environment. Prior studies reveal a significant decline in manufacturing industry output and its contribution to gross domestic product (GDP) in Nigeria since the mid-1970s. We use Dunning's foreign direct investment (FDI) motives as basis for examining the impact of socio-cultural factors on FDI inflows to the Nigerian manufacturing industry since 2000. Between 2011 and 2015, we carried out a Questionnaire Survey of 925 respondents in Nigeria. The data analysis reveals that since 2000, the lack of a coherent and consistent 'child protection mechanisms' coupled with the lack of 'consensus building on individual security matters' led to a significant decline in FDI inflows to the Nigerian manufacturing sector. A key limitation of this study is the fact that, it does not critically address the strategic impact of the current Boko Haram insurgence in Nigeria; as such an area for further research would use Qualitative methods to examine the impact of child protection, gender inequality and ethnic tensions on FDI into the Nigerian manufacturing industry.

Keywords: Manufacturing Industry Competitiveness; Socio-cultural factors; FDI inflows; Nigeria.

Introduction:

A critical review of existing literature suggests that there are many challenges impacting on today's 21st Century global business environment. These challenges emanate largely from the fast and dynamic macro-environmental factors, particularly the impact of the global financial crises on the economic growth of developed and developing countries and the sustainability of the level of profits of multinational enterprises (MNEs) (Gurtner, 2010). These challenges have consequently affected the socio-cultural dynamics of both developed and developing countries in diverse ways. In dealing with these challenges the importance of foreign direct investment (FDI) cannot be ignored, because it is a major stimulus to economic growth in developing countries (Nunnenkamp, 2002). FDI enables these countries to deal with shortage of financial resources and technology, thus making it the centre of attention for policy-makers in low-income countries (ODI, 1997). In this context, the key roles of MNEs and successive Nigerian governments in attracting FDI to the manufacturing sector, to enable the sector make significant contribution to gross domestic product (GDP) have been questioned by many International Business (IB) researchers (Udeme, 2013; Ikpeze, Opaluwa, Ameh, Alabi & Abdul, 2012; Osagie, 2012; Uzor, 2010; Soludo & Elekwa, 2004). This raises fundamental questions relating to the impact of socio-cultural factors on FDI motives and inflows to the Nigerian manufacturing sector. We use the theoretical framework of Dunning (1993) on FDI motives to investigate the impact of the socio-cultural values on FDI inflows to the Nigerian manufacturing industry, in response to the question: *what are the key socio-cultural factors, and their degrees of impact on FDI inflows to the Nigeria manufacturing industry?*

The remaining part of this paper is divided into four sections. The first section provides a critical review of existing literature on firm and industry competitiveness, FDI motives and inflows, and the roles of national governments, focusing on MNEs operating in the Nigerian

Manufacturing sector. The second section provides justification for the choice of research methodology, followed by data analysis. The third section discusses the key findings in light of contemporary development in IB. It also highlights the papers' contribution to knowledge in the field of IB research. Finally, conclusions and recommendations are provided, followed by an outline of key areas for further research.

Literature review:

Griffin and Pustay (2005: 8) define FDI as: 'investments made for the purpose of actively controlling the assets of companies located in a specific host country where the parent company is located elsewhere'. Whilst this definition emphasises the purpose of FDI, UNCTAD's definition of FDI focuses on the long-term aspect of FDI by suggesting that FDI is an 'investment involving a long‐term relationship and reflecting a lasting interest and control by a resident entity in one economy other than that of the foreign direct investor' (UNCTAD, 2007: 245). These definitions imply that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. However, the OECD (2011) cited in Odi (2013) gives a broader definition of FDI as an *'International venture in which an investor residing in the home economy acquires a long-term "influence" in the management of an affiliate firm in the host economy'* (Odi, 2013: p. 64). This Benchmark definition is fully compatible with the underlying concepts and definitions of the International Monetary Fund's (IMF); this definition was accepted because it suggests that FDI is a major factor influencing national economic growth, via the provision of capital needed to stimulate domestic investments, create employment opportunities and promote the transfer of technology (Odi, 2013; Bakare, 2010).

In explaining the factors impacting on FDI motives, IB research on international trade and globalization theories suggest that motives are the driving force which kick start the process of

FDI. The Chambers Handy Dictionary, (1993) defines a motive as "an emotion, reason, goal, etc., influencing a person's volition". Hence the motive for FDI is the motivation or reasons why parties involved in cross-border investment processes engage in certain specific activities. For instance, foreign investors may be motivated to engage in FDI to gain access to a new market while the host companies may be motivated by the goal of augmenting their local competitive advantage (Dunning, 1993, 2008; Franco, Rentocchini & Marzetti, 2008). Dunning's (1993, 2000) 'eclectic or OLI framework' identifies 'ownership advantage (O) e.g. trademark and production technology', 'location advantage (L) e.g. cheap sources of raw materials and labour', and 'internalization advantage (I) e.g. own production; which underpin the motives for FDI inflows to emerging economies like Nigeria. Indeed, Dunning (2000) in the statement below argues that the 'OLI' advantages:

> *"…reflect the economic and political features of the country or region of the investing firms, and of the country or region in which they are seeking to invest; the industry and the nature of the value added activity in which the firms are engaged; the characteristics of the individual investing firms, including their motivation, objectives and strategies in pursuing these FDIs" (Dunning, 2000, page 333).*

The above statement underpins Dunning's (1993) categorization of FDI motives into four groups: market seeking, resource seeking, efficiency seeking and strategic asset seeking (see Table 1 below). According to Dunning (2008) these motives usually lead to collaborative alliances between firms operating in the same host countries and regions. The work of Franco, Rentocchini & Marzetti, (2008) re-categorised Dunning's four FDI motives into three groups, by integrating Dunning's efficiency-seeking and strategic asset-seeking motives into what they call non-marketable asset seeking FDIs, but still maintain Dunning's market-seeking and resource-seeking motives.

Table 1
Key benefits of FDIs to MNCs
Source: Dunning (1993), Franco et al. (2008)

Types of FDI	Main motives	Examples
Resource-seeking or Supply oriented FDI	To gain access to foreign natural resource and unskilled labour – this motive underpins the main reason why many MNCs from developed countries engage in FDIs to developing countries where these resources tend to be found.	The resources being sort after falls into three broad groups: (1) physical natural resource for primary production and manufacturing, (2) cheap and efficient labour, (3) technological know-how, managerial and organisational skills.
Market-seeking or Demand oriented FDI	To follow suppliers and customers that have foreign presence or production facilities; To adapt goods to local needs, cultures and tastes, (3) To save the cost of serving a market from distance and to have physical presence on the market so as to discourage potential competitors from taking-over that market, (4) To reduce production and transportation cost by supplying in the market or in the regions around it, (5) To respond to competitors' investments in major markets across the globe as part of a 'follow the market leader' strategy.	Exporting to foreign markets with large market size and growth potential
Efficiency-seeking or Rationalized FDI	To promote labour efficiency and specialisation; To adjust and adopt to meet local demands; To reduce the cost of production or to achieve economies of scale.	Rationalization of the structure of international activities to improve efficiency Exploiting the structural differences among countries, to take advantage of the favourable factor costs and product prices or low cost labour in order to diversify risk. .
Strategic asset-seeking FDI	To supplement and protect existing ownership specific advantages; To reduce the ownership specific advantages of a competitor; To acquire physical assets, market knowledge, human capital which enhances ownership advantages	Acquisition of the assets of existing firms; Imperfections of intermediate product markets
Non-marketable asset seeking FDI	To acquire assets that are not directly transferable through market transactions e.g. degree of market competition; degree of knowledge transferability through direct contact	Joint venture acquisition of main personnel, basic and advanced infrastructure

Although there are alternative ways to secure foreign capital such as mergers and acquisitions, bank debt, portfolio equity investment and loans from international financial organisations, FDI remains the most desirable form of investment to other alternatives mainly because its impact on firm and industry competitiveness is greater in the long-term (Stefanovic, 2008). This raises fundamental issues relating to the extent to which host nations are able to attract FDIs into different sectors of the economy – and the role socio-cultural factors play in making the business environment competitive.

Again, looking at the relationship between socio-cultural factors such as 'social exclusion' and 'insecurity', Udeme (2013) argues that the framework and strategies for economic growth and development in Nigeria for over three decades have been that of alignment and re-alignment

of policies which signify inconsistencies in manufacturing policy implementation. Nonetheless, Ikpeze, Soludo & Elekwa (2004) cited in Uzor (2010) opines that the Nigerian industrial policy objectives and strategies are often subjected to modifications, neglect or total abandonment. However, Opaluwa, Ameh, Alabi & Abdul (2012) note that the establishment of Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC) and Nigeria Investment Promotion Commission (NIPC), represents government efforts to improve the corporate environment and uphold the rule of law. Despite these government efforts, Osagie (2012) opines that Nigeria cannot be a successful manufacturing country until it is able to deal with unscrupulous traders, who flood the country with fake and substandard products that compete unfairly with good quality, legitimate and locally produced goods. These arguments provide a rationale for investigating the sociocultural factors impacting on FDI inflows.

Another sociocultural factor identified in the literature relates to the concept of 'child labour' which may come as shocking and morally repulsive to many people in the developed countries that parents in the developing economies willingly send their children to work (Grootaert & Kanbur, 1995; Bassey, Baghebo & Otu, 2012). For example, in Nigeria it is habitual for penurious parents to send their wards (children) to work in order to survive as a family (Grootaert & Kanbur, 1995). Also, Bassey et al. (2012) reveal that the future of Nigeria is at risk because 'child labour' is negatively affecting economic growth, because there is an inverse relationship between FDI inflows and child labour. Furthermore, Neumayer and De Soysa (2005) opine that 'child labour' is problematic on a number of counts, ranging from child welfare, health and physical integrity to downward pressure on adult wages (Arat, 2002) noting that countries with more trade openness and higher stock of FDIs do have a lower incidence of child labour. This is supported by Busse and Braun (2003) and Dunning (2008) that

multinationals are highly sensitive with respect to the location of their plants and prefer countries with lower levels of child labour; in brief, this suggests that increase in 'child labour' reduces the location advantage for foreign investors.

It is important to note that MNEs do not invest in all countries of the world, thus they establish presence in a small number of countries with favourable sociocultural environment and competitive facilities which strengthen their global advantages (Jones, 1998). This view is supported by several works, including, Ajanaku (2007), Adofu, Taiga and Tijani (2015) which suggest that poor electricity and water supply contribute to the lack of competitiveness in the Nigerian industrial sector as whole and in particular the manufacturing industry. The next section develops appropriate hypotheses relating to the impact of socio-cultural factors on FDI inflows to the Nigerian Manufacturing industry.

Assessment of the Nigeria Manufacturing Industry competitiveness

Although, there are many macro-environmental factors including political, economic, socio-cultural, technology, legal and ecology, impacting on the investment environment in Nigeria; in this paper, we focus only on the sociocultural factors influencing Dunning's (1993) location-specific advantages as they apply to FDI inflows to emerging economies like Nigeria. Historically, the motivation for FDI in Nigeria can be traced to the period when the proceeds from slave trade began to decline in the 1850s, followed by a swing towards genuine commerce by the British, French, and German firms already operating in Sub-Saharan Africa (Onyekwena, 2012; Falola, & Heaton, 2008). Today, the main reason why Nigeria attracts more FDI inflows is because it is the most populous country in Africa with over 175 million people (large market), in addition to its huge crude oil reserves and other natural resources. Unfortunately, more FDIs have gone to the crude oil sector to the detriment of other sectors

including manufacturing; in addition, there is comparatively higher risk and uncertainty inherent in the Nigerian economy stimulated by poor governance, insecurity of lives and properties, political instability, poor basic infrastructural development, religious/ethnic tensions and corruption (Asiedu, 2002; Banjoko, 2008; Nwankwo, 2011).

The manufacturing industry's ability to achieve and sustain competitive advantage in any economy is greatly influenced by both internal and external factors; this is because there is a strong positive relationship between environmental variables and industry growth (Porter, 1990, 2001). Competitive advantage is a market condition that makes a firm, industry or nation more competitive than others - the advantages are critical in understanding how industry profitability and national comparative prosperity is achieved and sustained (Porter, 1990, 2001; Barney, 1991, 2000; Grant, 1991).

The growth and sustainability of MNEs tend to lie in industrial rivalry and competitiveness, noting that the attractiveness or competitive position of an industry reflects an unending battle among competitors to shape an industry (Porter, 1990; Barney, 1991; De Wit & Meyer, 2014). For MNEs operating in Nigeria to sustain their competitive advantage they need to assess the dynamic role of location advantage, large market and semi-skilled/unskilled cheap labour, in their home country before investing in the host country (Porter, 1990; Barney, 1991s) – this understanding can be used to assess the inability of the manufacturing sectors in Nigeria to attract substantive amount of foreign capital needed to stimulate domestic investments, promote the transfer of technology, create employment opportunities, improve ever growing standard of living and contribute to the nation's GDP. For example, in order to create and maintain the conditions under which the Nigeria manufacturing industry can position itself internationally as a global leader, the competitive advantages of MNEs are sustainable via exceedingly 'localized process', because of the differences in a nation's economic structures,

values and cultures which affect the competitiveness of the institutions along with the traditional notion of resource endowments and factor prices (Sterns & Spreen, 2010). In support of this, several studies including Onuoha (2013), Onyemenam (2004) and NIRP (2014) identify major challenges militating against the global competitiveness of the Nigeria manufacturing firms - these challenges include: deteriorating and poor infrastructures; high production costs; inconsistent government policies on the sector; severe competition from imported goods; limited scope of operation; and financial constraints. These studies however do no focus critically on the impact of socio-cultural factors industry competitive, therefore raising fundamental questions relating to how sociocultural forces since 2000 have influenced the Nigerian government policy and strategy on industrialization, and the long-term sustainability of the manufacturing sector. We therefore proceed to review the key sociocultural variables prevailing in the Nigeria and how they impact FDI inflows to the manufacturing industry in Nigeria.

Hypotheses development

This paper seeks to investigate the impact of socio-cultural factors on FDI inflows to the Nigerian manufacturing industry, which continues to experience rapid decline in productivity (Banjoko, 2008; Obasan and Adediran, 2010). Prior research on FDI in the manufacturing industry is comparatively thin and to date there are few if any studies investigating the socio-cultural factors impacting on productivity with the Nigerian manufacturing sector. This raises the broad questions: what is the nature of the key socio-cultural determinant of the quantity and rate of flow of FDI to the manufacturing industry in Nigeria? In response to this question it is important to appreciate how socio-cultural factors help make a country attractive as the destination for FDIs.

Socio-cultural differences have been a subject of conflict among nations and individuals due to varying backgrounds, origins, traditions, and lifestyles. Prior studies on socio-cultural values and their impact on IB, include the works of Hall (1976) on 'the context of culture', Hofstede (1980) and Trompenaars (1993) on 'cultural value dimensions', and Zeng, Shenkar, Lee and Song (2013) on 'FDI experience, cultural differences and MNE learning ability' provide a theoretical framework for developing the hypotheses for this study. Since this paper did not set out to test existing models for measuring national culture including Hofstede's (2001, 2011) six categories of a country's social and cultural orientations (power distance; individualism; uncertainty avoidance; femininity; long term orientation; and indulgence), Javidan, House, Dorfman, Hanges and De Luque's (2006), and Taras, Steel and Kirkman's (2012) works on national culture.

Prior studies have examined the impact of macro-environmental factors on FDI motives and GDP growth, only a few (if any) have critically examined the impact of socio-cultural factors on FDI motives in the specific case of Nigeria. For example, Hall's (1976) 'high and low context' model of culture work demonstrates how culture - defined in terms of how people learn e.g. attitudes and communication skills - directly impact business operations and performances in any socio-cultural settings. The term attitude describes an evaluation of the feelings, beliefs and actions of one society toward another society which it might consider as being particularly different (Ajzen, 1988; Fletcher, et al, 2005; Azjen & Fishbein, 1977; Yakubu, 2002). Work by several authors including Hofstede's (1980, 2001, 2011)', Javidan et al. (2006), and Taras et al. (2012) place emphasis on the applicability of business and management theories across different social cultural settings. The works of Trompenaars (1993) examine the impact of political factors e.g. multiparty system of governance on FDI inflows to developing economies; while Dunning (1993) determines the relationship between

the rate of adoption of new technologies by the extractive industry. Prior to these works, Hall (1976, 1983) investigates the impact of environmental factors on the sustainability of industry competitiveness. The lack of critical research in the Nigerian context has led to the development of the following testable hypotheses, which seek to evaluate the relationship between FDI motives and five main socio-cultural factors, defined as the degrees of: (1) acceptance of hierarchy in structured situations in terms of the industry structure, (2) inter-dependence in decision-making in terms of level of participation in policy formulation, (3) risk taking in unknown or unstructured situations in terms of guaranteeing security, (4) distinctiveness in gender roles in relation to micro-financing initiatives, and (5) future planning in relation to adoption of new manufacturing technologies/know-how. For example, as stated below (H_1) we propose that a high degree of structure/control within the manufacturing industry in Nigeria would result in increased levels of FDI inflows irrespective of the motivation for the FDI.

> *H1: FDI inflow increases in conditions where there is a high degree of* ***structure/control*** *within the manufacturing industry.*
>
> *H2: FDI inflow increases in conditions where there is a high degree of* ***consensus*** *within the manufacturing industry on the need for direct investment.*
>
> *H3: FDI inflow increases in conditions where there is a high degree of risk taken in* ***unstructured situations*** *requiring increased direct investment.*
>
> *H4: FDI inflow increases in conditions where there is a high degree of distinctiveness in* ***gender roles*** *in the investment decision making within the manufacturing industry.*
>
> *H5: FDI inflow increases in conditions where there is a high degree of* ***strategic planning*** *relating to efforts to increase the competitiveness of firms within the manufacturing industry*

These hypotheses seek to test the relationships – if any – between FDI motives and socio-cultural factors prevailing in a developing country like Nigeria, focusing on the MNEs operating in the Nigerian manufacturing industry. It is a well-established fact that availability of FDI contributes to the development of business activities, increase in export, increase in

employment generation, advancement in technology, improved living standard, contribution to gross domestic product and acceleration of the economic growth and development of the host country. However, it requires an enabling sociocultural environment for the benefits accruing from FDI to be gained (Tarzi, 2005; Stafanovic, 2008; Lawler and Seddighi, 2001). In the next section we provide justification for the choice of research methodology used to address the research questions and objectives

Research methodology:

In order to test the five hypotheses developed in this paper we adopt a positivist philosophical position and an exploratory Questionnaire survey to evaluate deductively the socio-cultural factors impacting FDI inflows to the Nigerian manufacturing industry (Creswell and Plano-Clark, 2007; Saunders et al., 2012). The recruitment, sampling of participants and the design of the questionnaire for the survey are explained below.

Exploratory questionnaire survey – recruitment and sampling of participants

The sample frame for the Questionnaire survey comprises of all the 84 manufacturing companies who are currently members of the Manufacturers Association of Nigeria Exporting Group (MANEG), with a mix of manufacturing capabilities. Informal contact was first established with all 84 companies via email, Skype and telephone, resulting in 60 companies expressing initial interest in participating in the study. The 60 companies were written to formally, out of which 30 foreign-owned companies volunteered to participant in the survey.

Two-part Likert-scale Questionnaire was used in the study, where '1' indicates 'strongly disagree', '2', indicates 'disagree', '3' indicates 'neither disagree or agree', '4' indicates 'agree', and '5' indicates 'strongly agree'. Part A captures data on the demographic characteristics of participants, and Part B captures data on the sociocultural factors impacting

of FDI inflows. The survey was in two parallel phases from 2012 to 2013, the first phase involved an exploratory survey of senior staff in the 30 companies selected; and the second phase involved the clients/customers of the companies. During the first phase a total of 180 questionnaires were administered to company staff, and during the second phase a total of 1000 questionnaires was administered to clients.

Data presentation and analysis:

Demographic characteristics of the respondents:

From Table 2 below we can see that out of the total of 1,300 Questionnaires, 925 completed responses were received (N = 925), representing about 71% response rate.

Table 2
Descriptive analysis of demographic features of the respondents:
Total number of respondents (N) = 925

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Gender				
Male	644	69.6	69.6	69.6
Female	274	29.6	29.6	99.2
Do not wish to disclose	7	.8	.8	100.0
Total (N)	925	100.0	100.0	
Age group				
Below 30 years	471	50.9	50.9	50.9
Between 30-50 years	415	44.9	44.9	95.8
Above 50 years	39	4.2	4.2	100.0
Total (N)	925	100.0	100.0	
Nationality				
Nigerian	867	93.7	93.7	93.7
Non Nigerian	58	6.3	6.3	100.0
Total (N)	925	100.0	100.0	
Length of relationship				
Below 5 years	421	45.5	45.5	45.5
Between 5-10 years	454	49.1	49.1	94.6
Above 10 years	50	5.4	5.4	100.0
Total (N)	925	100.0	100.0	
Type of relationship				
Top management	137	14.8	14.8	14.8
Staff	350	37.8	37.8	52.6
Clients	438	47.4	47.4	100.0
Total (N)	925	100.0	100.0	
Highest educational qualification				
University qualification	452	48.9	48.9	48.9
Non-university	472	51.0	51.0	99.9
Do not wish to disclose	1	.1	.1	100.0
Total (N)	925	100.0	100.0	

Firm ownership				
Private Domestic individual	439	47.5	47.5	47.5
Private foreign individual	485	52.4	52.4	99.9
Nigerian government	1	.1	.1	100.0
Total (N)	925	100.0	100.0	

Source: SPSS analysis of Questionnaire 'Part A': Questions 1-7

The corresponding descriptive statistics relating to 'gender', 'age group', 'nationality', 'relationship status', 'year of relationship' and 'educational qualification' reveal the following results:

- **Gender:** 69.6% representing 644 respondents were male, 29.6% representing 274 female and 0.8% representing 7 respondents that does not wish to disclose their gender.
- **Age group:** 50.9% representing 471 respondents were aged below 30 years, 44.9% representing 415 respondents aged between 30-50 years and 4.2% representing 39 respondents aged 50 years and above.
- **Nationality:** 93.7% representing 867 respondents were Nigerians and 6.3% representing 58 respondents of non-Nigerians (foreign nationals).
- **Relationship status:** 14.8% representing 137 respondents at top management level, 37.8% representing 350 respondents were employees of the manufacturing industry and 47.4% representing 438 respondents were clients of the manufacturing industry.
- **Length of relationship:** 45.5% representing 421 respondents with less than 5 years relationship, 49.1% representing 454 respondents with between 5-10 years relationship and 5.4% representing 50 respondents with above 10 year relationship experience.
- **Education:** 48.9% representing 452 respondents with university graduates and 51.1% representing 473 respondents with qualifications other than university degree.

Principal Component Analysis (PCA) is widely used in IB research to analyse questionnaire surveys (Shi, Sun, Pinkham & Peng, 2014; Levy, Taylor, Boyacigiller, Bodner, Peiperl & Beechler, 2015). As shown in the Table 3 below, PCA with subsequent rotation (varimax with Kaiser Normalization) was conducted on the (13) items in Part B of the questionnaire. It also shows that the 13 socio-cultural variables (on the left hand column of the table) are loaded onto

5 key components representing sources of competitive advantage. For example, **component 1** was loaded on 3 items that reflected *role of government in child protection* and accounted for 16% of the variance exemplified by the two highest loading items: 'increase in child labour', 'increase in gender inequality' and a moderate loading item of 'increase in ethnic tension'.

Table 3

Rotated Component Matrix[a]

Items (13)	Components (sources of competitive advantage)				
	1 Role of Government in Child Protection	2 Consensus building on individual security matters	3 Conflict management capabilities	4 Strategic capabilities in managing non-financial risks	5 Development of Gender-balanced Justice Systems
1. Non-financial risks				.770	
2. Professional security		.631			
3. Increase in religious conflict			.520		
4. Increase in ethnic tension	.468				
5. Increase in gender inequality	.908				
6. Lack of consensus		.775			
7. Lack of strategic planning				.762	
8. Increase in child labour	.919				
9. Political instability					.627
10. Fear of military take-over		-.531			
11. Unfair justice system		.547			
12. Discrimination against women					.737
13. Attitude towards foreign investment			.779		
Components Cronbach alpha	***0.717 (3 items)***	***0.513 (3 items)***	***0.245 (2 items)***	***0.358 (2 items)***	***0.185 (2 items)***
Sub-themes building	*Ethnic tension, Gender inequality, Child labour*	*Professional security, Lack of consensus, Justice system*	*Religious conflict, Attitude towards FDI, Justice system*	*Non-financial risks, Strategic planning*	*Political instability, Discrimination against women*

Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

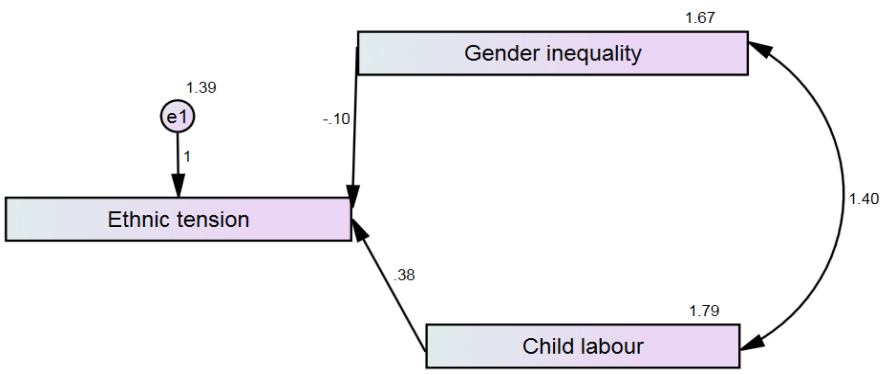
Component 2 was loaded on four items, three very strong and positive items and one negative item which cumulatively accounted for 14.1% of the variance. This component was labelled *consensus building on individual security matters* and was represented by 'lack of consensus', 'unfair justice system' and 'professional security' while fear of 'military take-over' loaded negatively. **Component 3** accounted for 10.7% of the variance demonstrated by: '*conflict*

management capabilities and is characterized by 'increase in religious' and 'attitude towards foreign investment'. More so, **Component 4** was accounted for 10% of the variance justified by: '*strategic capabilities in managing non-financial risks'* revealed on two items loaded very strongly on: 'non-financial risks' and 'lack of strategic planning'. Finally, **Component 5** accounted for 8.6% of the variance and was very strongly loaded on two items suggesting: '*development of gender-balanced systems'* and was measuring 'political instability' and 'discrimination against women'. The overall scale reliability co-efficient i.e. Cronbach alpha = 0.429 for the five components reveal an acceptable level of reliability in the data collected.

In order to construct a variance-covariance matrix of all the loaded items, Components 1 and 2 were subjected to additional analysis using structural equation modelling (SEM). For example, Figure 1 below (relating to component 1) shows the SEM regression and covariance loadings of the role of government in child protection. It shows the relationship between the 3-independent variables *(increase in gender inequality, increase in child labour and fear of military take-over*) on dependent variable (*increase in ethnic tension*) and also the covariance of each of the 3-independent variables on each other.

Figure 1

SEM_Role of Government in Child Protection



Model Summary for the '*Role of Government in Child protection'*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.329[a]	.108	.106	1.179

a. Predictors: (Constant), Increase in child labour, Increase in gender inequality

ANOVA results for the '*Role of Government in Child protection'*

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	155.626	2	77.813	55.993	.000[b]
	Residual	1281.293	922	1.390		
	Total	1436.919	924			

a. Dependent Variable: Increase in ethnic tension;
b. Predictors: (Constant), Increase in child labour, Increase in gender inequality

Coefficients for the 'Role of Government in Child protection'

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.188	.114		19.116	.000
	Increase in gender inequality	-.101	.051	-.105	-2.000	.046
	Increase in child labour	.380	.049	.408	7.756	.000

a. Dependent Variable: Increase in ethnic tension

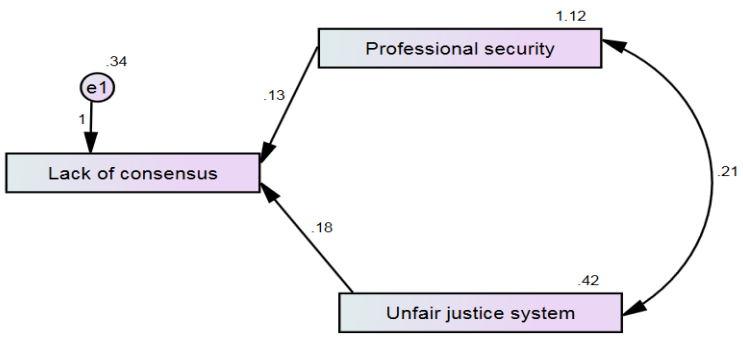
For component 1, the 'R-value' is low and shows 32.9% of the variation in ethnic tension that can be explained by variations in the 2-independent variables put together *(increase in gender inequality, and increase in child labour)* - this leaves 67.1% unexplained. The corresponding F-value = 55.993 is significant at $p < 0.001$. In addition, the distinctive effect of the regression coefficients of the predictors, reveal that *(increase in child labour)* make statistically significant and positive contribution to predicting ethnic tension. This is confirmed by the regression result at 95% confidence level with absolute probability value of less than 0.001 ($p < 0.001$). However, the results for *'increase in gender inequality'* is not statistically significant and has a negative influence on *ethnic tension at p = 0.000; t-value = -2.000 and Beta value = -0.105.* This suggests a unit increase in gender inequality will lead to a -0.105 growth in ethnic tension

signifying that '*increase in gender inequality'* has a huge impact on ethnic tension in attracting FDI to the manufacturing industry in Nigeria. This shows that an *increase in gender inequality,* and *increase in child labour,* cumulatively are statistically significant and are capable of explaining the *increase in ethnic tension i.e.* an *increase in child labour* will lead to 0.351 rise in *ethnic tension* – suggesting that an increase in child labour can play a very strong role in attracting FDI inflows to the manufacturing sector.

Unlike component 1, the SEM for component 2 shown in Figure 2 below, depicts the link between '*lack of consensus'* as dependent variable and *professional security; and unfair justice system'* as independent variables. The 'R-value' depicts 34.1% of the disparity in *'lack of consensus'* that can be explained by variations in '*professional security'* and *'unfair justice system'* - this leaves 65.9% unexplained. The related F-value = 60.502 is significant at p < 0.001, suggesting that '*professional security'* and *'unfair justice system'* cumulatively are significant and are capable of explaining the changes to the *'lack of consensus'*.

Figure 2

SEM_Consensus building on Individual Security matters



Model Summary for '*Consensus building on individual security matters':*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.341[a]	.116	.114	.582

a. Predictors: (Constant), Unfair justice system, Professional security

ANOVA for '*Consensus building on individual security matters'*

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.975	2	20.488	60.502	.000[b]
	Residual	312.214	922	.339		
	Total	353.189	924			

a. Dependent Variable: Lack of consensus
b. Predictors: (Constant), Unfair justice system, Professional security

Coefficients for '*Consensus building on individual security matters'*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.545	.091		16.935	.000
	Professional security	.133	.019	.227	6.998	.000
	Unfair justice system	.184	.031	.194	5.976	.000

a. Dependent Variable: Lack of consensus

In addition, the unique effect of the regression coefficients of the forecasters, shows that '*professional security'* and *'unfair justice system'* were found to be exclusive and statistically significant with positive contribution to the predictions of *lack of consensus*. Furthermore the regression result at 95% confidence level with absolute probability value < 0.001; suggest that, '*professional security'* is significant and positively influences 'lack of consensus' *with p-value = 0.000; t-value = 6.998; and Beta value = 0.227;* further suggesting that a unit increase in professional security will lead to 0.227 improvement in consensus building on individual security matters suggesting that lack of consensus in Nigeria economy is as a results of social exclusion and insecurities which can impact greatly on FDI inflows to the manufacturing industry. Finally, *unfair justice system* has a significant positive effect on lack of consensus *at*

p = 0.000; t-value = 5.976 and Beta value = 0.194; revealing that a unit increase in unfair justice system will lead to 0.194 worse-off in lack of consensus suggesting that the significant nature of unfair justice system in Nigeria could be as a result of lack of harmony among government agents and manufacturing industry experts on the need for manufacturing FDI inflows. The above results are discussed below in light of gaps in existing literature and prior studies.

Discussion and interpretation of findings

The key results from the factor analysis and structural equation modelling provide deeper insight into the nature of the key socio-cultural factors relating to the "*role of government in child protection"* and "*consensus building on individual security matters",* and how they impact on FDI inflows in the Nigerian manufacturing industry. We proceed below to discuss our results and offer a logical interpretation in light of our key research questions and objectives – we focus on the 'child protection' and 'consensus building' as sources of competitive advantage.

The changing roles of successive government - child labour; ethnic tension and gender inequality

The Nigerian macro-environment since 2000 continues to experience turbulence as a result of successive governments' ineffectiveness or non-implementation of policies aimed at enhancing child protection, gender equality and reducing ethnic tension (Udeme, 2013; Bassey et al., 2012). The need to protect children and to ensure gender equality as basis for attracting FDI may come as shocking and morally repulsive to many MNEs wishing to or already operating in Nigeria. For example, some foreign investors may not understand why parents in the developing economies willingly send their children to work (Grootaert & Kanbur, 1995). Since 2000 there has been increasing pressure on successive governments to address issues relating

to child protection, gender inequality and ethnic tensions, because of their cumulative negative effect on attracting FDI inflows to the Nigerian manufacturing sector (Arat, 2002; Neumayer & De Soysa, 2004; Busse & Braun, 2003; Bassey et al., 2012). We therefore: accept the proposition *that FDI inflow increases in conditions where there is a high degree of structure or control (H1); but we reject the proposition that FDI inflow increases in conditions where there is a high degree of distinctiveness in gender roles (H4).* Our results suggest that an increase in both *'child labour and gender inequality'* increase *ethnic tension* which in turn reduces FDI inflows to the manufacturing industry in Nigeria. They are also supported by the evidence that poor and inconsistent policy implementations increase the gap in gender inequality; coupled with the fact that growth *in gender inequality* has a huge impact on *ethnic tension* in attracting FDI to the manufacturing industry in Nigeria (Udeme, 2013).

Consensus building – professional security and unfair justice system

Our results reveal that '*professional security'* and *'unfair justice system'* are good predictors of *lack of consensus*. They also suggest that a unit increase in professional security will lead to improvement in consensus building on individual security matters - further suggesting that the lack of consensus in Nigeria is as a result of social exclusion and insecurities which can impact greatly on FDI inflows to the manufacturing industry. Similarly, *unfair justice system* has a significant positive effect on lack of consensus*;* revealing that a unit increase in unfair justice system will lead to an increase in the lack of consensus, suggesting that the significant nature of unfair justice system in Nigeria could be as a result of lack of harmony among government agents and manufacturing industry experts on the need for manufacturing FDI inflows. We therefore accept the hypothesis (H2) that FDI inflows increases in conditions where there is a high degree of 'consensus building' within the manufacturing industry, and also accept the hypothesis (H5) that FDI inflow increases in conditions where there is a high degree of strategic planning relating to efforts to increase the competitiveness of firms within the manufacturing

industry. These results receive support from the evidence that there is still lack of mutual agreement on the need for direct investment into the manufacturing sector, which could be attributed to lack of consensus to improve on the level of infrastructure (Ajanaku, 2007; Adofu et al., 2015).

Finally, we reject the hypothesis (H3) that FDI inflow increases in conditions where there is a high degree of risk taken in unstructured situations. This result confirms the evidence that the Nigerian industrial policy objectives and strategies are often subjected to modifications, neglect or total abandonment (Ikpeze et al., 2004; Opaluwa et al., 2012; Osagie, 2012). The next section concludes the paper and presents a holistic framework for attracting FDIs to the Nigerian manufacturing industry.

Conclusions and recommendations

The findings reported in this paper has important implications for industry experts, policy makers, and researchers interested in evaluating the sociocultural factors impacting FDI inflows to the Nigeria manufacturing industry. The sociocultural factors identified in our study reveal how the role of government in child protection and the lack of consensus building in key areas of the Nigerian economy can contribute to significant reduction in FDI inflows to the Nigerian manufacturing industry. The implication is that any effort by successive governments aimed at enhancing child protection mechanisms and building consensus by involving a wider range of stakeholder would ultimately attract more foreign investors into the national economy.

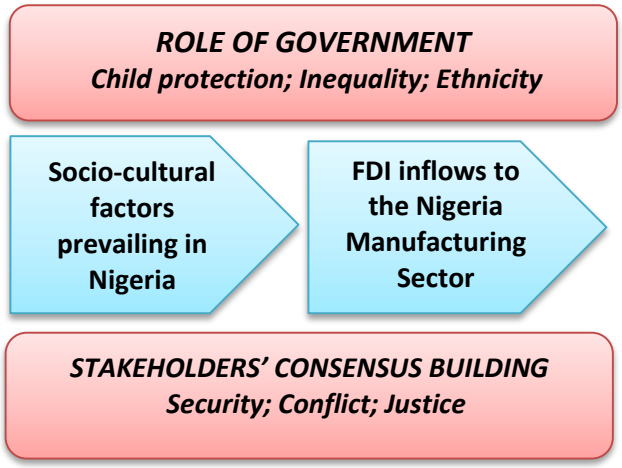
More specifically our empirical results show that there is a strong positive relationship between the role of government in child protection (*ethnic tension; child labour; and gender inequality*), and consensus building on individual security matters (*lack of consensus, professional security; and unfair justice system*). From these results we can conclude that from the year 2000 to date

the persistent increase in child labour, rise in gender inequality and increase in ethnic tension; coupled with the continuous lack of consensus on how to achieve fairness in the justice system and how to reduce professional insecurity have led to a steady decline in FDI inflows across different sectors of the Nigerian economy – in particular the manufacturing sector.

Figure 3 below highlights the key sociocultural factors identified in this study and how they are linked to FDI inflows in the Nigeria manufacturing industry. In brief, it identifies the role of government and the need to involve stakeholders in consensus building in the areas of child protection, conflict resolution, gender equality, social security and fairness in the justice system, as basis for attracting more FDI into Nigeria.

Figure 3

Strategic Role of Government and Stakeholder in attracting FDIs to the Nigerian Manufacturing Industry
Source: Ifeanyi et al. (2015)



This implies that the drive to attract and sustain FDI can be stimulated by creating a competitive socio-cultural environment where child protection is addressed, where there is gender balance, and less ethnic tensions to underpin a compelling vision of the future in-line with the Nigerian government's Vision 2020. It should however be noted that if these sociocultural factors are not well taken care of, FDI inflows will continue to diminish and go to near-by countries with better investible socio-cultural environments.

The key limitations of our study relates to the reductionist approach used in factor analysis and SEM, which means that some items loading unto components were not subjected to further statistical analysis and therefore ignored. For example, in Table 3, the third, fourth and fifth components (*conflict management capabilities; strategic capabilities in managing non-financial risk, and the development of a gender balance justice system*, respectively) and their corresponding sociocultural variables e.g. *attitudes towards foreign investment, non-financial risks, and discrimination against women,* were not significant in our analysis – suggesting the need for further research using qualitative techniques to explain the how these variables impact FDI in Nigeria. The focus would be to assess the sociocultural orientations of participants in the key area of consensus building on: 'child protection', 'gender inequality', 'professional security', 'fairness in the justice system' and 'ethnic tensions' in Nigeria.

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