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THE MANAGEMENT OF PUBLIC ENTERPRISE: AN OVERVIEW

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Introduction

In their determination to promote rapid economic development and to prevent vital sector of the national economic from being dominated by foreign private capital, successive governments in Nigeria have encouraged the development of public enterprise. Since independence and particularly in the decade of the seventies, the oil boom years, Nigeria developed a large public sector incorporating economic activities such as banking and insurance, oil prospecting, exploration, refining and marketing cement, paper and steel manufacturing hotels and tourism; fertilizer plants, motor assembly plants, rail, sea and air transportation; sugar estate, etc. the indigenization programme of 1972-1974 and 1977-1980 provide opportunities for the state to buy out alien interests in such ventures as construction and mining, flour milling, road haulage and a host of

Abstract

Public enterprises are established to address market deficit and capital shortfalls, promote economic development especially in developing countries such as Nigeria, and ensure national control over the overall direction of the economy. Nigeria established public enterprises (PES) to increase capital formation, provide social and welfare services which were then need to be lacking in Nigeria under the colonial rule, create employment and generally contribute to the economic and social development of the country. It is hardly necessary to say that most of those public enterprises suffered losses thereby becoming a major drain on national budgets. Olowalaiyemo, (1985) direct his attention to the management of public enterprises, To him most public enterprises are victims of undue interference by the

*g*overnment .He goes further to say that lack of accountability inherent in our public life coupled with the notion of self first can also undermine performance of the parastatals. In this regards,when wrong hands are entrusted with strategic positions. They end up making wrong decisions.The consequences of this may be detrimental to the continued survival of the enterprises. This paper, therefore, focuses on why the public enterprises failed and the need to re-invent it in Nigeria and adopt the new management approaches relevant to public enterprises in the contemporary world. The paper concludes by pointing out that many of the public enterprises short-comings can only be ameliorated through management reforms.

Keywords: Public Enterprise,Management,Development,Efficiency and Essential services.

manufacturing establishments. While the oil boom lasted, no one complained of the waste and inefficiencies of these enterprise and a lot more enterprises of questionable commercial and financial viability continued to be established to provide jobs for the people. By 1985, the federal government alone had invested an estimated N23 billions at historical cost in public enterprise. The combined investment at the state level may be as much as 40 percent of the Federal Government investment. The annual return from such federal Government investments was less than N596 million, a considerable part of which was represented by surpluses from the Central Bank of Nigeria. Zayyed, (1992).

It was only in the wake of the economic recession which began in 1981 that attention began to be focused on the activities on these parastatals. The government appointed several study groups to examine their operation with a view to determining the basis for a new funding scheme, appropriate capital structure as well as incentive measures to enhance their productivity and general efficiency.

Conceptual clarification of terms.

Public Enterprise

Public Enterprise can be considered as an organization established by the government under Public or Private law, a legal personality which is autonomous or semi-autonomous, produces/provides goods and services on

a full or partial self-financing basis and in which the government or a public body/agency participates by way of having share or representation in its decision making structure

The World Bank (1988) defines public enterprise “as government-owned or controlled commercial entities that generate all or most of their revenues from the sales of goods and services”.

According to Momoh (2006) Public enterprise also known as corporations are government owned non-profit making organization aimed at providing essential services to the good citizens of the country

However, this paper views Public enterprise as a purposive, commercial, government organization created to facilitate the establishment of infrastructure, provision of social and economic development, possessing legal personality, self-sustaining and self-accounting.

Management.

is the coordination and administration of tasks to achieve a goal. such administration activities include setting the strategy and coordinating the efforts of staff to accomplish these objectives through the application of available resources

Development. Development is the process by which the economic well being and quality of life of a nation ,region,or local community are improved

Efficiency.Efficiency is the ability to avoid wasting materials,energy,efforts,money,and time in doing something or in producing a desired result.in a more general sense. It is the ability to do things well,successfully,and without waist.

Essential services : Services such as hospitals,and other healthcare,utilities such as electricity and watersupply, law enforcement,and firefighting and food services.

PUBLIC ENTERPRISE: THE NIGERIA EXPERIENCE

Impelled by the current global economic recession, the government introduced in 1986 a structural adjustment programme to strengthen the economy by reducing the flow of public funds to unproductive state enterprises and providing needed funds for administration and development. Although, the advent of public enterprise in Nigeria traceable to the colonial period during which such parastatal as the public works department (PWD),

electricity corporation of Nigeria (ECN) just but to mention a few were established, we are going to concern ourselves here with the period after independence.

When Nigeria became independence in 1960, she influenced to a large extent by the economic policies of labour party government of the United Kingdom during that period. The British labour party government then has adopted the policies of nationalization of private enterprise and the setting up of a new public enterprises. Coupled with the British influences was the need to provide social and welfare services which were then deemed to be lacking in Nigeria under the colonial rule. As a result, the Nigeria government invested in enterprise such as iron and steel industries, water supply, power supply, railway, shipping, airway, etc some of these industries according to Onoh,(1995) were not only considered strategic by the huge capital outlay required to established and operate them was beyond the reach of the private sector entrepreneur.

The period of oil boom in Nigeria further witnessed a rapid growth in the number of public enterprises in the country. As the astronomic oil revenue derived by the government in the 1970s needed to be invested in the economy, the traditional private sector industries became more attractive to the government.

Hence, the Nigeria enterprise promotion decree of 1972 set the basis for the government's extensive particularly in the ownership and management of the banking, insurance and industry.

There is the general notion that the success of a business undertaken depends on the amount of capital injected in it. For this reason. Kuznets,(1952) believes that every government enterprise should perform and achieve more success compared to its private counterpart.

The argument here is that government do not only have greater financial resources at its disposal but that it also has easier access to credit facilities from both local and foreign financial institutions.

The notion, however, was refuted by the results of various studies into the performance of public enterprises in Nigeria. It then follow that the problems of public enterprises should be located elsewhere. In this circumstance, Zayyad outlined some of the causes of the relative poor performance of public enterprises in Nigeria. Without exception, such enterprise were found to be infested with problem such as:

- a. Confused and conflicting mission
- b. Political interference in operating decisions
- c. Misuse of monopoly powers
- d. Defective capital structures and
- e. Bureaucratic redtapism in their relations with supervising ministries.

Methodology

Methodology

This research adopts and explores primary and secondary sources of materials in simple random selection which involves the issues of management of public enterprises in Nigeria .An over view. and data from textbooks, journals, newspaper, magazines, internet and libraries were used.

Challenges of Nigeria Public Enterprise

More specially, such public enterprise are characterized by varying degrees of failure to deliver the goods or services they were set up to deliver in the place. The reasons for such non-performance are many and varied. For illustration one can mention the following important characteristics that have led to the poor performance of public enterprise in Nigeria.

- a. Degree of Operational Autonomy: The managements, and even to a lesser extent, the Boards of such enterprise generally have not enjoyed the necessary degree of operational autonomy that will ensure the achievement of their stated objectives.
- b. Confused Statement of Objectives: In many cases the objectives are not clearly stated or have been added to over time such that they very confusing and conflicting.
- c. Role of Board in the Management of Public Enterprise: More often than not the Board of such public enterprises have not played the role expected of them. They have tended to meddle so much in matters that clearly should be the preserve of management, often for selfish reasons. The constitution of such boards also has tended to follow the lines of patronage more than those of competence and the demonstrated ability of the nominees to contribute to the progress of the public enterprise. Often also the Board itself has had to contend with meddling officials from the supervising Ministry. Thus you often have a triumvirate of forces made up of the management, the Board

and supervising Ministry, with the in-fighting sometimes reaching such a crescendo that all the major objectives of setting up the enterprise are drowned.

- d. Appointment and removal of Management: Because of the situation in C(above and other factors, there is often great acrimony and arbitrariness about the appointment uncertainty of tenure, coupled with the appointment of often incompetent staff, have usually had adverse consequences on the performance of the management and senior staff.
- e. Lack of scientific management criteria: another problem of public enterprises, partly arising from their confused and conflicting missions, is the lack of clear, scientific criteria by which their performance would be measured objectively. Unlike in the case of private enterprise, where the profit motive usually provides and objective criterion by which the performance of the enterprise will be judged, there has not been a serious conscious attempt to develop a set of consistent scientific criteria by which the performance of our public enterprise could be judged.
- f. Operational Procedures: Partly from their historical evolution as offshoots of some ministry, which were initially staffed by civil servants, many of our public enterprise have evolved operational procedures which are a cross breed between those of the civil service and those of the private sector. As a result you end up with a mixed and often confused system that compounds the problems of both systems. Such confusion is illustrated in the criteria areas of remuneration, personnel policies and accounting systems. For illustration of the problems encountered, we look more closely at the accounting and budgeting systems of such public enterprise.
- g. The accounting systems in Nigeria's public enterprise vary in quality and sophistication, with a general tendency towards a mixture of government and private sector accounting, with emphasis on custodianship and expenditure control. As pointed out above, this is often the result of the historical development of the public enterprises which started mostly as government departments and converted subsequently into either public corporations or state owned companies.

- h. Accountability: Perhaps the most important problems of the public enterprise sector in Nigeria is the problem of lack of accountability, which is itself doubtlessly greatly occasioned by the other problem mentioned above.
- i. Accountability here is used to refer to both fiscal and managerial responsibility. In addition to the flaws of the accounting system of public enterprise mentioned above, or perhaps because of them, the accounts of many public enterprise are many years in arrears of audit. This is itself engenders fraud and corruption which are often very difficult to trace, precisely because of the lateness of the accounts, thus fiscal accountability is very weak.
- j. In addition, for reasons already mentioned, the necessary mechanisms to make managers of public enterprise fully accountable for their actions or inactions are lacking with a consequent negative effect on their commitment to duty

Public Enterprises and Socio-economic Development in Nigeria

Looking at the performance of Public Enterprises in the developing countries especially Africa, Rondinelli & Jack (2000) expressed the optimism that the performance of public enterprises-in meeting development objectives and providing socially-beneficial goods, services and infrastructure could be improved in Nigeria if they are allowed to outsource some or all of their functions. Contracting out can bring the benefits of private production and distribution while maintaining enterprises in public ownership. Similarly, public private partnership can help some Public enterprises overcome weaknesses of public enterprises while taking advantage of the benefits of private management. In many cases, however public enterprise cannot or will not provide social services and infrastructure effectively because of the limitations of public enterprise. Government's responsibility in this case is to create the conditions that lead to effective privatization and to assume a facilitating and regulatory role rather than one of service provider. Kauzya, (2005)

However, it was remarked that Public enterprises face continuing risks of political interference, or cronyism and corruption in their governance and operations and of an inability to generate adequate financial returns to either cover their costs or return a surplus to the government, all of which can divert

them from fulfilling development objectives. Ademolekun,(1983) In an era of increasing globalization, emerging markets and expanding private sector, governments seeking to achieve the millennium development Goals must have a clear strategy for deciding which enterprises remain in public ownership and how they will contribute to achieving social and economic progress. The record of experience with public enterprises failures is now so strong that governments cannot merely assume that public enterprises (PES) will necessarily contribute to development. Although none of the alternatives to state ownership is a panacea for the problems of weak public enterprises. Managed under appropriate conditions, they .PES can sometimes overcome the continuing difficulties that plague many state owned enterprises (SOES). When government decides to keep them in stare ownership, serious consideration must be given to the need for reforming their internal structures, governance and operations in ways that ensure that they can pursue clear development objectives.

Conclusion

Experience spanning over (20 years) twenty years suggests that, for a variety of reasons outlined earlier in this paper, many Public enterprises have been ineffective in promoting economic and social development. Some public enterprises may be well governed, efficiently managed, and financially sound, but government seeking to achieve the millennium development goals or other indicators of economic and social progress must carefully reassess the performance of public enterprises in achieving development. The performance of some can be improved through extensive governance and management reforms that give them a clearer and more focused development mission; strengthen the governance body; ensure the recruitment and retention of professional competent and well trained senior managers and of highly skilled employees. require internationally recognized audit, accounting and financial reporting procedures; develop and implement clear and appropriate performance targets; and impose hard budget constraints requires not only internal governance and management reforms but also commercialization or marketization. Public enterprises may need to be corporatized and given a legal business status to operate according to market criteria and to compete with private and civil society service providers. Government's responsibility is to create an effective regulatory environment

for both public and private enterprises providing social services and infrastructure and the market institutions and politics that ensure open and fair competition. Ozimede, (2013)

Based on their history of poor performance in meeting development goals, Nigerian government needs to verify the viability of Public enterprises in achieving development targets. Public enterprises that can no longer demonstrate a strong record of achievement where the private sector can provide services effectively may be liquidated or privatized. Where performance can be improved by strengthening some aspect of their operations, public-private partnership or contracting may be acceptable means of leveraging the benefits of private management. When government decided that public enterprises must remain in state ownership, a comprehensive and objective performance assessment should be carried out to determine how to strengthen their governance, management, operation and integrity and to ensure that Public enterprises achieve economic and social development goals.

Recommendations

To reverse these problems identified in the public enterprises (PES), government should clearly determine the development contributions of public enterprises and rationalize their structure.

Reinvention Process

Reinventing public enterprises in Nigeria as well as any other country should begin with a comprehensive performance review and the formulation of a government strategy for reform. Government may not be successful in restructuring public enterprises unless it develops a strategy that sets out a clear vision for how Public enterprises are expected to contribute to development and defines clearly missions and performance criteria for each public enterprises.

In South Africa, according to Sivi (2001), the government declared that the goal of public enterprises would be to “contribute to sustainable economic and social development” an objective that was more likely to occur where there is a mixed economy, that is, an economy that is responsive to market incentives within a framework of socially integrative institutional mechanisms.

In any country seeking to reform public enterprises, strategy formulation should be preceded by an assessment of the performance of the public enterprises sector carried out by a government commission or agency that can identify Public enterprises objectives, assets, and resources; assess their financial assets and liabilities, evaluate their performance in meeting their objectives; and demonstrate their contribution to economic and social development. Hicks, & Gullet, (1981),

At the same time, however, government should not make regulations so restrictive that they prevent enterprises from achieving their objectives efficiently. This reform should assess the strength, weakness and appropriateness of options for restructuring public enterprises.

Among the potential policy alternatives open to Nigeria government are

1. Internal management and governance reform
2. Commercialization or marketization
3. Outsourcing or contracting out;
4. Public-private partnerships between state owned enterprises (SOES) and private
5. Privatization or liquidation

In pursuing any of these alternatives, government retains important roles in creating conditions and adequate oversight to ensure that reforms work effectively and that they achieve development objectives.

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