



Managerial Challenges of Public Enterprises: The Imperatives for Privatization and Commercialization of Railway Corporation and Postal Agency in Nigeria

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ABSTRACT

The inefficiency and inability of most Nigerian public enterprise to deliver required services and to meet the demands of the Nigerian Citizenry have resulted to a growing call to properly examine the management style of these enterprises. The need to reposition these enterprises for proper service delivery is the motivation for this study. The Objective of this study is to identify the management challenges of Nigerian Public Enterprises in Nigeria with special emphasis on Postal Agency and Railway Corporation in Nigeria. The study employed survey research method. A total of 115 questionnaires were administered to respondents. This research made use of both primary and secondary data. The study identified some managerial problems which were: inadequate funding, limited autonomy in personnel management, high rate of political control, and shortage of technical staff, among others. Based on the above identified managerial challenges, the implication of this study holds that for efficient service delivery in Nigerian public enterprises such as Nigeria Railway Corporation and Nigeria Postal Agency, bold steps should be taken by Nigerian Bureau for Public Enterprise to privatize and commercialize these enterprises

KEYWORDS : Privatization, Public enterprises, Developing Economies, Railway Corporation, Postal Agency, Nigeria

Introduction

Public enterprises evolution in developing countries dates back to the colonial era, when many European nations utilized public corporation as an arm of their government for seizing foreign territories. The system of state enterprise began in 1888 when the British colonial government undertook the railway transport project in Nigeria from Iddo the capital of Lagos to the Hinterlands. This was followed by coal mining, electricity and marine which later became ports (Tokumbo, 1990). The railways which were probably the first public enterprise in Nigeria was structured mainly in terms of colonial strategic, administrative needs and economic utility for transporting the goods of Nigerian people like coca, groundnut, Red oil, palm kernels etc for the development of metropolitan cities in London. The colonial administration was the nucleus of necessary economic and social infrastructural facilities which private enterprise could not provide. Social services like education, health was still subsequently left in related hands of the Christian missions.

The major hull mark in the evolution of Public Enterprises in Nigeria came with conversion of public utilities operated under the governmental departments into public corporation. The most important Public Enterprises set up during the era (1945-60) was the west African produce marketing board; apart from this, many development corporations sprang up in the late 1950s etc. Some Public Enterprises were also established in Nigeria between the end of world War 11. On attainment of political independence, a number of Public Enterprises were derived from the Nigeria's ten year development plan. They were aimed at achieving a dual purpose of earning profit and other societal objectives such as creating employment and reduction of mass poverty. In early 1970s, there was greater indegnization and nationalization of private/ foreign entities into Public Enterprises with an overt intent of returning the economy to the Nigerian people. Since 1970s, successive governments have used public corporations and state owned companies as a tool of public intervention in the development process. This was eloquently stated in the Nigerian second National Development Plan (1970:74-75) in Nellis (2005) thus:

The primary purpose is to stimulate and accelerate National economic development under conditions of capital scarcity and structural defects in private business organizations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sectors often

under the direct and remote controls of foreign large-scale industrial combines .

Strategically, the important sectors of the nation were classified as industries that are vital to maintaining the territorial, economic and political sovereignty of the nation with which, or if controlled by hostile powers, the effective functions of the state could potentially collapse. Consequently, Public Enterprises especially in developing countries such as Nigeria became active in key sectors like manufacturing; construction, Agriculture and natural resources etc. to ensure the absolute government control of these Public Enterprises and to improve the living standard of Nigerian people.

Statement of the Problem

It has been observed that inadequate funding of Public Enterprises by government make their operation difficult, if not impossible. AS a result, they also determined the tariff structure, which would have been an avenue to raise more funds to improve their performance. Cliff (2010) stressed that most Public Enterprises in Africa were set up with a low equity capital base; thus making it difficult even to get financial assistance from banks. Poor capitalization was an impediment to borrowing, thereby contributing to negative performance.

Also, there is wide spread assertion that Public Enterprises have limited autonomy in areas of personnel management and authority to spend their funds without obtaining approval from the chief executive or the supervising ministry.

In support of this notion, Obadan (2011) argued that Public Enterprises managers suffer excessive control in their daily operations by the supervising government departments. This often stifles managerial initiatives and leads to costly operational inefficiencies of PEs. In practice however, because the government provides all their funds, they have not been enjoying appropriate autonomy to function as a viable entity.

Moreover, Public Enterprises are often seen as instruments of political patronage by the government in power. No wander, Ezeani (2006) opines that there is excessive political interference in the operation of the Public Enterprises. This results in overstaffing, poor choice of products and location, recruitment of mediocre into the Public Enterprises. In the same vein, Nellis (2005) observed that there is unstable

management/boards in Nigerian Public Enterprises. Any new government is likely to dissolve and appoint its own board members and general managers once they take control of state power. They further argued that these appointments are not based on merit as they see it as a way of compensating their cronies and allies, and because of this, the board members could hardly achieve anything positive before their removal.

In furtherance of this, there is problem of poor technology in Nigerian Public Enterprises. For instance, some plants are designed to use only the certain quality of raw materials; it became impossible for such plants to operate. In some cases, it is amazing to know that part of the problems were installation of wrong technology in our Public Enterprises. These technical errors resulted to ineffectiveness and loss of resources (Tried, 2005).

It is against this backdrop that the study seeks to identify the problems affecting the management of Public enterprises in Nigeria and which make privatization and commercialization desirable options.

Objectives of the Study

The specific objectives of the study are as follows:

- To determine the rate to which fund is made available to Nigerian Public Enterprises by the government.
- To ascertain the impact of limited autonomy of Nigerian Public Enterprises in personnel management.
- To determine the impact of government influence in managing the affairs public enterprise in Nigeria.

Theoretical Framework

There are many theories, which relate well with the current study, especially management theories. However, this study associates itself with scientific management theory of F.W Taylor (1856) as a better framework for understanding the relationship between the theory and the current study. The theory states the need for rationality, predictability, specialization and technical competence and for a functional type of organizations such as Nigerian Railway Corporation and Nigerian Postal Agency.

The major assumptions of Taylor’s theory are as follows:

1. Development of a true science.
2. Scientific selection and progressive development of the workmen
3. The bringing together of the science and the scientifically selected and trained workmen.
4. The complete re-division of work between the management and the workmen.

The application of scientific management theory to this study is anchored on its import to rationalize and position organization in a positive pedestal. This is the concern of the study, which is to evolve efficient and effective mechanisms towards addressing the problems of managing public enterprises.

Literature Review

Several attempts have been made by scholars to conceptualize public enterprises. Like all social concepts, public enterprises have been subjected to varieties of interpretations. However in this context, effort would be made to pin its etymological meaning.

Laley (2008) opines that the bewildering number and types of the organization called public enterprises, their different contents, in and the rationale for which they were set up account for lack of authoritative and generally acceptable definition of public enterprises. Also the World Bank (2000) publications was in line with the above assertion that its does not appear to be any agreement among scholars as to the precise definition of public enterprises.

In support of this view, Sosna (2001) also accepted that there are numerous reasons why in developed capitalists’ countries; there are no single standard definitions of Public Enterprises. This is because Public Enterprises were established at different periods, and each epoch naturally brought forth the types of Public Enterprises most clearly suited to its environment. It is therefore believed that the variations in definitions are informed by the ideological, values, interest and dispositions that brought Public Enterprises into existence.

Efange (1998), defines public enterprise as institution or organization which are owned by the state or in which the state holds a majority interest, whose activities are business in nature and which provide services or produce goods and have their own distinct management. Adamolekun (2002) sees Public Enterprises as an organization that is set up as a corporate body and as part of the governmental apparatus for an entrepreneur or entrepreneurial-like objective. In the same view, Okpata (2004) defines Public Enterprise as non-profit oriented organizations that have their objectives among others, the provision of social goods and services and which is either partly owned or fully owned by the government.

The World Bank (1991) defines Public Enterprise as “those enterprises in which the government has majority interest of ownership and/ or management”. However, Obadan and Ayodele (1998) have a different view in the area of ownership stake and interest. Thus Obadan and Ayodele (1998) sees Public Enterprise as organization whose primary functions are the production and sale of goods and/or services and in which government or other government controlled agencies have no ownership stake that is sufficient to ensure their control over the enterprises regardless of how actively that control is exercised.

This study sees public enterprises as government established institution for the purpose of carrying out both commercial and welfare services in order to improve the living condition of the people.

Methodology

The descriptive survey research design was chosen for this research. The population of this study covers two public enterprises in Nigeria namely; Nigeria railway corporation and Nigeria Postal Agency. The study made use of primary sources of data. 115 questionnaires were administered and 106 were returned .Stratified sampling technique was adopted in selecting respondents.

Results and Discussion

Table 1: Does Inadequate Funding affect the performance of Public Enterprises?

Responses	No. of Respondents	Percentage
Strongly Agree	69	65%
Agree	20	18.8%
Strongly Disagree		
Disagree	12	13.3%
Don't know	5	4.7%
Total	106	100%

Source: field survey 2014

From the responses of the above table, it is clear that 69 respondents or 65% strongly agree that inadequate funding by Nigerian Government is one of the major problems facing the corporation because most a times, the public enterprises cannot maintain their equipment due to inadequate of funds since they depended on government for subsidy. Therefore, government funding is increase becoming difficult to meet the needs of the corporations due to other competing demands, as a result they can no longer provide regular and improved s service to their customers.

Question 2: Limited autonomy of your enterprise in personnel management affects their performance

Responses	No. of Respondents	Percentage
Strongly Agree	15	14.1%
Agree	78	73.2%
Strongly Disagree	4	3.7%

Responses	No. of Respondents	Percentage
Disagree	7	6.6%
Don't know	2	1.8%
Total	106	100%

Source: field survey 2014

From the data collected above, 78 respondents representing 73.2% were of the view that limited autonomy of public enterprises in areas of staff selection, appointment and retrenchment and to pay compensation that could attract competent personnel that promote the efficient realization of the objectives of the corporation. 15 respondents also agree that the agency is flooded with people other than in the areas of needs. These non-desirable workers cannot be laid off because of lack of authority to do so.

Question 3: Political influence and control contribute to low-level performance of the corporation

Responses	No. of Respondents	Percentage
Strongly Agree	98	92.4%
Agree	87.5%	
Strongly Disagree		
Disagree		
Don't know		
Total	106	100%

Source: Field survey 2014

The table above indicates that 98 respondents representing 92.4% and 8 respondents strongly agree or agree that political influence and control determine to a large extent the management of the corporation, which means that political class determined the running of the corporations, if the interference is not directly from the state chief executive or supervising ministry, it will come from board of Directors, because government provide all the funds, for example in Ebonyi state the state chief executive awarded over N700, 000,000.00 contracts to Chinese company without the notice of the corporation to over haul the existing water scheme to enhance regular water supply.

(Source: field work 2014). Government provides the resources used for the running of the corporations thus the justification for continuous political interference in their day-day management.

Question 4: Inadequate qualified technical personnel that can manage various operational areas hinder the performance of your organization

Responses	No. of Respondents	Percentage
Strongly Agree	14	13.2%
Agree	79	74.5%
Strongly Disagree	4	3.7%
Disagree	6	5.6%
Don't know	3	2.7%
Total	106	100%

Source: field survey 2014

In the above table, 79 respondents or 74.5% agree that the public enterprises in Nigeria have inadequate qualified personnel to operate

and maintain their systems efficiently. Regular maintenance is lacking and preventive measures do not exist simply because of the inadequate qualified personnel to handle them. 14 respondents or 13.2% also strongly agree with the majority opinion that the Agency is over staffed, yet there is lack very vital technical staff in most areas of the enterprise, as result of this, the agency cannot pay adequate compensation that could serve as an incentive to attract good quality staff.

Question 5: Inadequate maintenance of equipment/plants affects positive performance

Responses	No. of Respondents	Percentage
Strongly Agree	12	11.3%
Agree	94	88.6%
Strongly Disagree		
Disagree		
Don't know		
Total	106	100%

Source: Field survey 2014.

The table indicates that 12 respondents representing 11.3% strongly agree that inadequate or non-regular maintenance of equipment/plants of these public corporations to ensure regular service delivery is achieved also contributes positively to the poor performance of the corporation. 94 respondents also agree that there is both non-preventive and inadequate of regular maintenance of the corporation plants or equipment. Therefore, the majority opinion is that regular maintenance of the plants / equipment of the corporations can go along way to improve their performance.

Justifications for Public Enterprises

In view of the evolution and scope of public enterprises Ezeani (2006) and Adamolekun (2002) identified three major justifications for establishing public enterprises as:

1. The paucity or in some cases absence of indigenous private sector that can take to provide certain infrastructural facilities, particularly, in services requiring heavy financial investment e.g. Electricity, ports and harbor, airways etc.
2. To enable the state pursue objectives relating to social equity which the market would ignore, notable among which is preventing the concentration of wealth or the means of production, and exchange in the hands of few individuals, or of a group.
3. The need to ensure government control over "strategic sector" of the economy such as central banking, broadcasting, army, airways, shipping etc.

Furthermore, Ugorji (2001) observed that public enterprises have also been established for political reasons. He further opines that many government undertakings are used to provide jobs for constituents, political allies, and friends. The locations of enterprises and the distribution of government employment have further been predicated on the need to maintain "Federal Character system and promote national integration"

Managerial Problems of Public Enterprises

PEs were created in most countries to accelerate economic and social development. Yet, increasing evidence indicates that most Public Enterprises either do not contribute strongly to development or perform their public service functions effectively. This assertion is in line with the words of Ugorji (2000). According to him, Public Enterprises s performances in developing countries have generally been disappointing resulting in widespread doubts as to whether the benefits of public ownership are worth the cost. He further state that in Africa, the poor performance of Public Enterprises attracted a great deal of criticisms, particularly in 1980s, as the macro economic policy environment, arising from the impacts of the global economic crisis, became less accommodating to the resulting inefficiency in resource allocation.

In the same opinion, Paul and Simon (2001) anchored the poor performance on excessive bureaucracy resulting to severe straining of the public budget with huge deficits. Public Enterprises are massive drains on government resources /fund through loan, transfers and subsidies. They further reported poor financial performance which is the consequence of overstaffing and burden of excessive debts reflecting a history of huge financial losses.

Moreover, Ezeani (2006) identified some factors responsible for the poor performance of public enterprises. The first factor is lack of autonomy of public enterprises. Managers suffer from excessive control and interference in their daily operations by supervising government departments. Ezeani (2006) stated that Public Enterprises suffer from excessive political interference. They are often seen as instrument of political patronage by the government in power to settle his political associates; this results in overstaffing, poor choices of product and location, recruitments of mediocre etc to the detriment of the Public Enterprises. The second factor according to Ezeani is poor infrastructures. The deterioration state of infrastructures in most African countries also contributes to the failure of Public Enterprises as they contribute to high cost of operation.

Ovuorie (2001) stressed that the efficiency of parastatals or organizations depends on the management style adopted by the board of directors and the chief Executive who implement decisions along with laid down policies and interpret them to his subordinates; as a results, the corporation lacks autonomy especially in personnel management and to incur expenditure up to N100, 000.00 even under the emergency situation is not possible without obtaining approval to do so. Fubara (1999), in same vein, also stressed that the organization and management of government owned enterprise lead themselves to external controls and tend to have goals which consequently company executive directors and staff most times engage in conflicts with those of the company they serve. This external control contributes immensely against positive performance of these government owned companies.

Furthermore, Nigerian Public Enterprises have the problem of inflated contracts prices. This is why Adeyemo (2010) states that " the extensive use of contracts financing and suppliers credit resulted in large leakage of public funds hampers the operational viability of many Public Enterprises through over burdened and unrealized capital structure".

Supporting the above view, Ejiyor (2009) opines, the revenue, which could be declared as profit by these enterprises are often wasted through the award of many dubious contracts which are hardly executed. In most cases, it is very common to find the jobs for which the workers of these parastatals are employed to perform. He also identifies among other problem, high cost of imported equipment and inadequate arrangement for the maintenance of these equipment. Most times, some of this equipment is too old to function profitably.

In the same perspective, Tokumbo (1990) also highlights some of the problems of management of Public Enterprises thus:

- ❖ Lack of operational machinery for the co-ordination and accomplishment for the purpose of which the Enterprises as an existing institution lacks the machinery such as vehicles, spare parts and functional production meters to perform its statutory responsibility. In most cases, there is non-maintenance

of the plants and a preventive method does not exist. Therefore, it becomes very difficult for development to be recorded in that sector.

- ❖ Funding problem: this is a fundamental issue on which depends on the continued existence of most Public Enterprises. Nigerian Railway Corporation and Nigerian Postal Agency require serious funding necessary for their operation. For instance, most of the Public Enterprises were set up with very low equity capital base. This poor capitalization is a burden to borrowing thereby making them to perform very low.

According to Bureau of Public Enterprises, (1999) Public Enterprises consumed about N200 billion of national resources annually, by way of grants, subsidies, import duty waivers, tax exemptions, and the like. Public Enterprises have consumed nearly half of all the revenue made from the sale of crude oil since 1973; it was also discovered during the research that Estimates of the vision 2010 committee indicates that federal government investments on the public enterprise stood at over US\$ 100 billion (Bureau of Public Enterprises, 1999).

One sees that the cumulative value of FGN investment by way of equity, loans and other transfers to these 62 Enterprises are estimated at nearly US\$ 70 billion – nearly a third of Nigeria's total oil revenue since 1973. As at December 2000 the total liabilities of 39 out of these Public Enterprises were in excess of N1.1billion, with accumulated losses of N93.3 billion (BPE 2001).

Conclusion and Recommendation

This study is aimed at identifying the management problems of public Enterprises. The work was geared towards redressing the ills of Nigerian public enterprises, which has been described as lethargic, inefficient, and unproductive. Unfortunately, the purpose for which the corporations were undertaken could not be duly achieved. This is due largely to the fact that there is inadequate funding, and the concentration of the more powers in the supervising ministry and the rate of political influence and inadequate of technical personnel. Generally, there existed widespread corruption, mismanagement and misappropriation of funds of Public enterprises. In furtherance of this, the need for an efficient and goal-oriented public Enterprises at all level of government cannot be under estimated. This is why public Enterprises in Nigeria has been undergoing very crucial stages in its development in order to evolve a service and result-oriented public Enterprise that will contribute to the overall national development. If there is any challenge of management, planning, harnessing and clear objectives is for effectively management for the upliftment of living standards of Nigerians. It is in recognition of this and to enable the public Enterprise to face the challenges ahead that government reverted to privatization and commercialization.

In view of the specific findings, the study therefore recommends for the privatization and commercialization of Nigerian Postal Agency and Nigeria Railway Corporation.

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