

CHALLENGES IN THE MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA: A Theoretical Review

Bayo, Princewill Lekara

Department of Management, Faculty of Management Sciences, Rivers State University,
P.M. 5080, Port Harcourt, Nigeria, *E-mail: bayo.princewill@ust.edu.ng*

Received: 3 February 2020; Revised: 9 February 2020; Accepted: 18 April 2020; Online: 22 June 2020

ABSTRACT

The paper reviewed extant literature on the management challenges of public enterprises in Nigeria. The main idea behind this work is to understand the causes of these challenges and problems in the public enterprises in the country Nigeria. The paper identified several factors that have constituted huge challenges in the management of public enterprises in Nigeria. And the waysout of these challenges can only be through transparency, commitment and honesty. And for these to be achieved, there are things or certain habit we need to avoid, including corruption, nepotism and favoritism. The paper concluded on the note that, Nigeria can only experience good development when its public enterprises become viable and economically useful.

Keyword: Value system, corruption, transparency and honesty.

INTRODUCTION

Management concept is a distinct process and activity that is concerned with solving problems to get things and goals achieved in both developed and developing economies such as Nigeria. Management is one concept that embraces the combination of three factors of production, land, labour and capital. Without managers to put these factors together, the ultimate goals of achieving objectives will be useless. Management involved people and these people are the cornerstone of doing the work or bringing out ideas that will ensure the factors of production useful to enhance development in the society. The one man that has the vision, ideas and the capabilities to harness these factors with motivate vision in the entrepreneur. Globalisation has change the tide of events in the world today making the globe a village connected by millions of men and women including other businesses, thus the dynamic nature of

management contributed to this development to ensure the world becomes one. In the work of Daff (2001) in any organisation, economics that there is no management in place, whatever resources that an economy has, remain redundant and unproductive.

THEORETICAL FRAMEWORK

History has made us to understand that management date back to the period in the dark age and within the period 400BC. Frederick Taylor (1911) is one of the fathers that talk about management in het scientific manner. The art of planning organizing, directing and controlling are key in ensuring the proper usage of the factors of production. It was identified that some projects, constructions and complex activities of management efforts have made way for the achievement. Such high profile, historic structures like, the cathedral, fortress to secure communities from invasion, the great wall of china, the Egyptian pyramids, etc. Modern management as introduced by Frederick Taylor is based on qualification with management. That is there are certain skills, capitalized that a manager must acquire to enable the management of resources to achieve set goals. These fathers of management in their time introduced effective management with the use of scientific means or methods in the practice of management. Some of these fathers are Harrington Emerson, Frank and Lethan Gareth etc. The time of Taylors brought in the principles and therein of management. In otherword, before the era of Taylor, there were no principles and theories of management. Management was regarded then as a pragmatic activity as managers were using the rule of thumb method in their functions.

THE NIGERIAN MANAGEMENT EXPERIENCE

The establishment of the University of Nigeria, Nigerian Institute of Management formally department of Business administration brought to the fore the emergence of management, Oshagbemi (2001). Prior to this time, there were some existing form of management operated in Nigeria by the different empires and kingdoms. These were some sort of public organs actions, e.g. the Sokoto Caliphate, Benin Kingdom, and the ancient Oyo Empire, Opobo Kingdom and the Ogoni ethnic nationality. The challenges that organization's management faces are numerous today due to the consistency changes in technology and the kinds of life stables that people lives. Many organizations today are engaged in consultancy services to other organizations, established mainly for that purpose of supervising cruel appraising their performance. They

are sometimes the subsidiary to the parent company. However, prior to this time such organisations never existed as a check on the organisation to achieve goals and objectives.

FACTORS INFLUENCING MANAGEMENT PRACTICES THAT AFFECT PUBLIC ENTERPRISES

Effective management is critical to economic growth of any economy and the success of the enterprise. Managers of organization have the responsibility and tasks of designing the internal environment of the organisation for effective performance. The work of Farmer and Rechman (1965) in their study of comparative management of various nations identified four environmental factors which all organisation must consider for effective management. These factors impact on the operations of public organisation or enterprise and for the effective smooth operations of the managers. These factors include: socio-cultural, political and legal, economic and educational variables.

Socio-Cultural Factor: The socio-cultural factors constitute the structure of the society and it plays a significant role in the management practice of any economy. It affects the behaviour of the people, influenced their value, system and the attitudes to work; also affected are their leadership style and individual roles in the organisation. Culture is the way of life of a people, behaviour, attitudes and values and ideas shared. This affect the management of organisation as different people from different background worked in the organisation. What other accepts, belief in may not be what other do. And in event that such leadership is operating in the organization they may turn their own culture to be the organisation culture which will affect others in the organization. Most individuals are not discipline and all they want is to enrich themselves at the expense of the organization, this lead to corruption and fraudulent practices experienced today in Nigeria.

In Nigeria, the family and relation play an important role in individual life. This brings problem to the management of the organisation. Family working in the organisation will first have the interest of their family at heart not considering the fact that the organisation have objectives to accomplished. Managers will employ their relations who may not even be qualify for a particular job due to pressure against the company policies for recruitment. According to Ejiolor (1987) asserts that socio-cultural factors affects the Nigerian attitudes to work in many ways. Our family members consider working in the organisation as working for some other family members instead of his/her own. This led to

workers seeking or looking elsewhere to supplement their incomes. Thus, at the end the organisation suffered. When his regular earnings are inadequate to maintain the members of the family, the worker is induced to look for other ways of supplementing his income so as to meet the over-increasing pressure on him from his relations and trends (Ejiofor 1988).

Political and Legal Factors

The legal and political structure is a social structure that affect management. The components are the government and laws of the land. Government is composed of organs that administered the socio-political systems. For example, in Nigeria we have the legislative, executives and judiciary (three tier of government), each having their own functions. This same system applied to the state and local government levels respectively. Each of this level make laws which the buress organisation must adhere to as they operate under these laws. They legislate on such matters like wages/salaries, health, price control, equal employment opportunities, consumer protection etc. The various government at each level make such laws to regulate the action, activities and businesses undertaken by her citizens for the betterment of the society. The consequences is that organisation and their managers become a tool or so called puppets in the hands of those laws by the government which are actually not intended for their own purpose and existence. The managers when deciding to take decisions must consider the laws, environment, the political atmosphere before embarking on such. Prior to this time, the political system has been unstable compare to now since 1999. Every government tries to bring in new ideology and changes creating an uncertain environment for business to thrive. It hampers business activities as most of the laws are unnecessarily complex affecting the practices of management of the organisation.

Economic Factors

The economic factor involves the economic system – monetary and fiscal policies of government, taxation, investment policies, tariff system and the market competitive forces etc. These factors influence the activities of business to a large extent in its operations. According to Etuk (1981) the success and failure in business depends on the knowledge and understanding of the business environment. Because no manager will initiate any successful business policy or strategy without considering the economic forces and the environment. Decision taking in an organisation relates to its operating environmental

economic surroundings. Managers may have thought of having a sales level of about 80% in the first quarter of the year, and partly every marketing strategy in place, he must analyse and consider the environment or the economic climate. The monetary policies by the Central Bank, inflation rates and interest rates must be considering, which affect the management of organisation. Most of the environmental factors with emphasis in the socio-economic factors affect the public enterprises management in any economy.

Technological Factors

Technological and techno-management capabilities are among the many problems of Nigerian organizations, (Oyiyinka 1989). Technologies are charging today in different dimension, which developing countries mostly find it difficult to cope with, hence, depending on foreign technologies to carry on their businesses. Organizations find it expensive and difficult to change decisions that will help in this direction, even as technology evolution of a continuous one. These changes are normally resisted by the employees for fear of loss of their jobs.

PROBLEMS IN THE MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA

In Nigeria, public enterprise is faced with so many problems that are peculiar to the environment and the organizations. These problems or challenges includes: role and membership of boards, staffing, finance, level of education, value system, extended family system, inter-personal relationship, superstition and our attitude to time and work.

1. Role and Board Membership

Every enterprise or organization have board to supervise the management of the organization. There are basically two types of Board namely; Executive and Policy Board. These boards have chairman and heads of units of the organisation and at three outside memberships representing outside interest for the Executive board, while the policy board is made up of outside persons with the Chief Executive of the organisation as a board member. Membership of these boards are saddled with the responsibilities of making policies, interprets strategies and objectives of the organisation, developing tactical plans, budget approval and capital expenditure, made appointment and monitor the progress. But today, the integrity for appointments and membership had been eroded because of

political settlements. Board membership supposed to reflect the federal character, experience and the specialized knowledge of the persons. According to Ademolekun (1983), it is also expected that the selection of Board members will seek to reflect a certain degree of geographical and ethnic representation which is summed up in the 1979 Constitution of the Federal Republic of Nigeria called Federal Character. It is evidently clear, that partnership and settlements of political associates have degraded the essence of Board membership, destroying the strategic policy making processes as these members do not possess the requirements for first appointment. It has a dangerous effect on the management of public enterprises. They use their positions to give themselves contracts and enriched themselves including their family members.

2. Staffing

This is a managerial process that covers those activities of procuring employees, tarring compensation, appraising performance, promotion and good conditions of service, etc. Recruiting and public personnel are based on merit. This merit system accepts as one of its tenet the idea that politics has no direct input into the appointment, promotion, and retention process (Gortner, 1977). But the system of staffing in Nigeria today has changed as it is now a political settlement by the political class. No integrity and honesty again, so those offered appointment are not qualified or competent to handle such position. Family members are employed pending the organisation into family business, contracting even the process to their associates. Public enterprise management suffered as the technocrats or those saddled with the responsibilities of managing the enterprise cannot say or contribute to how to run the organisation without being forced or sacked.

3. Finance

Another upper issues of the achievement of financial autonomy according to Udoji Commission (1974), financial autonomy for public enterprises can be achieved through the provisions for having a realistic capitalization, power to raise funds in the open markets, effective audit (internal) and selecting of external auditors from economy professional forms and independent responsibility for purchasing. Looking at this there was a problem to those recommendation as the very government which is expected to provide realistic capitalization must also enforce the financial accountability while expecting respect the financial autonomy of each of the enterprise. The position was as according to (Ademolekun 1983) that in practice, successive government have sought to

combine inadequate capitalization with an over-emphasis on their responsibility to enforce financial accountability, usually of a type detrimental to the overall health of the enterprise. Thus, revenues from the sale of services are limited because successive government control tariff; no government really has been generous with loans and grants, and strident limitations are placed on the enterprises ability to raise loan both internally and externally. Today in Nigeria, public enterprises are solely in the lands of the political class who either sell them to themselves through proxies, shared the resource-funds realized or keep them for their political campaigns. Infact, there public enterprises are used for siphoned money from the government coffers by the political class.

4. Low Level of Education

The high rate of illiteracy in Nigeria no matter the higher colleges and universities is alarming. Illiteracy in this sense does not mean only attending schools, but lack of knowledge in the application of management strategic policies of the enterprises and government. Rapid national development programs and the policy of indigenization of the economy, managers found themselves in position and performing those functions in the organisation that they have on experience. Today due to the criminal activities going on in the economy, most expatriates have gone leaving those higher positions that need expertise to managers that have no knowledge to exercise such functions. Lack of facilities for decision making, e.g. computer, data base for information, technology for conferencing and seminars. Most of these facilities are detested by the managers operating in the public enterprises making them to deteriorate and go into extinctions.

5. Value System

The greatest problem management system faced by the public enterprise in Nigeria is the socio-cultural setting which it operates. Socio-cultural setting determines our activities and the response from the actions or inaction and our planned implementation in Nigeria. Managers are equally faced with the problem of controlling the people who are committed to their group norms and belief. This belief does not allow or encourage imitation from workers in the organisation as it acts as constraint to the effective managerial functions.

6. Extended Family System

The role and use of the extended family system in Nigeria management practice added more than expected problem. This is because family members are prone

to falsify documents, defraud employment and other procedures in order to satisfy an extended family members or needs.

SOLUTIONS TO THE PROBLEMS AND CHALLENGES IN THE MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA

The commitment to work by individual workers in the public enterprises cannot be enforced, rather it must come as a product of happiness and willingness of the individual feelings towards the job. The individual performance must be such that is geared towards contributing to the achievement of organizational goals. This as well can be hindered if the management is handicap to provide the needed tools, motivations for the performance of work by the individual. If the needs is not matched with the tasks, well remunerated or his contribution to the organisation etc. The government and the public enterprises must relate well with letter improved modern management techniques being adopted. The government should allow the public enterprises to be autonomous and allow the employment or appointment of politician to head public enterprises. It should not be an avenue for political settlement. However, some of the following are the solutions that can induced the challenges faced by the Nigerian public enterprises:

- (a) Making people know how they are performing in the organisation through periodic appraisal system based on merits.
- (b) Avoid giving false information about performance to please the government or supervisory departments.
- (c) Provision of modern technologies for the workforce to perform well like their counterparts in the private sector.
- (d) Provision of infrastructural facilities necessary for the performance of the job.
- (e) Rewarding workers properly on the basis of their performance/ contribution towards the achievement of the enterprises objectives.
- (f) Matching workers/people properly with the job expected to perform.
- (g) Encourage grassroots participation in decision making in the organisation.
- (h) Stopping of using the extended family system and the political settlement of associates by the political class.
- (i) Provision of grant/funds by the government and ensure complete autonomy of the financial management of funds by the public enterprises without government interference.

These challenge encompasses the following as bad management practices themselves can as well cause the problems to the public enterprises management. Among these are constant low productivity, poor growth, lack of innovation, inefficiency in the use of resources (material and human) and the inability to adapt to change and also the inability to assess the strength and weaknesses of the public enterprises.

CONCLUSION

The problem or challenges encountered by the public enterprises in Nigeria evolve around the human problems. Thus, the solutions seem difficult as the environmental factors and the other related values orientation must be discarded for better performance. Change must be accepted and encourage as well as the system that will bring in effectiveness and efficiency into the organisation. In view of this, the political class should allow government enterprises to work to create value and serve the purpose and objectives for which it was created.

RECOMMENDATIONS

The educational values being acquired today may be for the well to do in the society in the future, the possibility of having managers that are prudent and fugal in the handling and allocations resources will be difficult to achieve in the future unless the three levels of government establish furnish schools with modern technologies and a conducive environment for learning. The problems created are by the human beings, themselves, the orientation of our ethical value system and attitudes to accept change should be encouraged as it will give us a future of hope and development.

In present day Nigeria, the government at these levels are not helping issues, instead of providing free education with accommodation for the youths, establish vocational centers for development, installing modern technologies for both learning and easy management in the public enterprises, government functionaries are sending their children and family members abroad, go for foreign medical trips, shared the money realized from crude oil among themselves. The truth is that if this continue, the development needed in Nigeria to provide technocrats, educationists and a literate society will be a nightmare causing more families and criminalization in the society. Government need to create job for the teeming youths to make them busy as to think about their future.

Technological innovation should be encouraged and welcome, for ease of manufacturing and production, while information communication technology should also be accepted. Conferencing, seminars, quick dissemination of information will solve some of the society and public enterprises problem. In the modern world today, there are so many types of technology to detect and reduced fraud and corruption. Just as the security agencies use such technologies, public enterprises should initiate such, government that claim to fight or will be fighting corruption needs to fix these in offices or a central place in the country just as it is done with the Single Treasuring Account System.

References

- Ademolekun, L. (1983). Public administration: A Nigerian and central bank of Nigeria (1983) Annual report and statement of accounts.
- Dafe, R. L (2009). Organization theory and design USA. *South Western Learning*.
- Ejiofor, PN (1988). Management in Nigeria: Theories and issues, Africana-Fab Publishers Ltd.
- Etuk, E (1982). The Nigeria business environment, *Oduduma Business Journal*.
- Farmer, R. N. & Richman, B. M. (1965). Comparative management and economic progress. Homewood, ILL Richard D. Irvin las.
- Gortner, H. (1977). Administration in the public sector. New York: John Wiley & Sons.
- Oyiyinka, O. (1989). Nigeria's still needs in 1990's. *Management in Nigeria*, 25(2)8.
- Osagbemi, T.A. (2001). Organizational development in Nigeria and its implication for managerial sanity. A paper read at the second national conference of association of psychologist, University of Jos.

To cite this article:

Bayo, Princewill Lekara. Challenges in the Management of Public Enterprises in Nigeria: A Theoretical Review. *Global Journal of Accounting and Economy Research*, Vol. 1, No. 1, 2020, pp. 35-44