



Public Enterprises Management and Entrepreneurial Development in Nigeria

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ABSTRACT

In an effort to accelerate the pace of development, the Nigerian Government decided to directly invest in all strategic areas of economic activities which resulted in the establishment of many public enterprises. Some of the institutions were established for among other reasons to stimulate entrepreneurial development. This paper, therefore, attempts to examine how the establishment of these institutions has stimulated the entrepreneurial development in the country. Data were generated largely through secondary sources. A conclusion was drawn that pervasive involvement of government in economic activities has not helped to inculcate entrepreneurial skills in Nigerians.

INTRODUCTION

Government in Nigeria has, since independence, always been in active player on the economy scene. The rationale at independence was to accelerate the pace of development by direct investment in all the strategic areas of economic activities, given the low capital formation capacity of the private sector at that time. In the 1970s the reconstruction and development efforts as the aftermath of the civil war accounted largely for the increased level of government involvement in economic activities, such that by 31st December 1983 the Federal Government was in no less than 110 enterprises spanning transport, aviation, shipping, oil, vehicle assembly and manufacturing. The value of the Federal Government's investment in these enterprises was then estimated at about ₦ 17.8 billion. The quantifiable return on this huge volume of investment was however not seen as satisfactory in the light of the realities of the Nigerian economy in the eighties. It is generally believed that the direct involvement of government in economic activities merely resulted in the creation of a padded bureaucracy with entrepreneurial ethnic virtually absent.

This paper, therefore, attempts to examine how entrepreneurial development has been aided or impeded by public enterprise management in Nigeria.

RESEARCH METHOD

The data employed in this study were obtained mainly from the following sources:

- i. Privatization Hand Book, 2004 Edition. A Publication of Bureau of public Enterprise
- ii. Daily Trust, December 27, 2010: Available at: www.dailytrust.com.
- iii Daily Trust, October 28, 2008: Available at: www.dailytrust.com
- iv. Leadership, Friday December 26, 2014. Available at www.leadership.ng
- v. World Bank Report, 1990.
- vi. NEPA Report, 1983.

3.0 RESULTS AND DISCUSSION

3.1 Indigenous Entrepreneurship

It is an anthropological axiom that economic accomplishments results from good, strategic manipulation of opinions and resources – every epoch in economic history has availed people of this opportunity. For instance, during the hunting/gathering stage of human economic development, leadership was generated spontaneously. It was predicted on the prowess and expertise which the individual exhibited in manipulating forest resources.



In the succeeding epoch of sedentary agriculture, the quint essential entrepreneurs were those who successfully manipulated the labour supply by having large families, through plural marriages, slave-keeping etc. Similarly, in the manufacturing/commercial epoch, the successful entrepreneurs were those who could rationalize their cost while maximizing their benefits or profits.

Nowadays, these opportunities still exist despite the subtle assumption that in traditional economies like those of pre-capitalist entrepreneurial implements such as capital, investment interests etc. appear non-existent. Onwuejeogwu (1992) posits that these implements were subsumed in certain notions, according to him “among the Igbo, Yoruba, words exist for interest, capital, investment, credit etc and yet the traditional economy of these people may be considered as relatively less complex”.

Onwuejeogwu also pointed out the existence of various mechanisms and motivations for traditional entrepreneurship among various Nigerian societies. He noted that the incentive to accumulate capital takes various forms in the societal norms like the extended family system and taboos through competition. He argued further that cultural norms like the extended family system and other forms of kinship obligations in Africa serve to stimulate further productions within the traditional economies. Similarly, he pointed out the relevance of lack of hegemonic tendencies (implying that the individual's status was dependent on his personal accomplishments) for the development of entrepreneurship. Le Vine (1980) sums up a similar situation, when he observed that “The overall picture that emerged about the traditional Igbo status system is enterprise and initiative. The one more likely to rise socially is the one who is sufficiently self-motivated to work hard and cleverly marshal available resources in the course of increasing his wealth”. In their work Kirkpatrick, Lee and Nixson (1983), reviewed the works of such writers as Schumpeter (1934) and Papanek, (1971) and came out with the conclusion that entrepreneurs are drawn from the sub-set of the community

that possesses certain personal attributes for example, the capacity for anticipatory thought, the energy to overcome fixed habits of thought, and desire for power and these occur randomly in any ethnically homogenous population. Others have suggested that the supply of entrepreneurs will vary according to the cultural, religious and other social characteristics of community concerned. “The community characteristic practically conducive to the development of entrepreneurship that have been identified in different studies include: acceptance of the Protestant ethic, child-rearing practices that stimulate achievement oriented behaviour, dependence of higher social status on occupational performance”, and presence of minority cultural groups. Such factors as these have been used to try to explain why particular types of social groups or communities within an LDC appear to participate more extensively in entrepreneurial activities than others: for example, the greater rate of minority cultural groups, (the Lebanese in West Africa, the Chinese in South-East Asia, the Indians in East Africa) and of indigenous ethnic groups in Nigeria. Similar kinds of factors have also been mentioned by some scholars as obstacles to the industrialization process in those communities where it is difficult in the short term to change socio-cultural systems that are not conducive to entrepreneurial development.

Nevertheless, it was Dike (1965) that gave a reasonable insight into the depth and saucy of indigenous entrepreneurship in Nigeria. He highlighted the strategic and historical factors that led to the development of trade and entrepreneurship among the people of Niger Delta area of Nigeria. Fishing business greatly stimulated entrepreneurial development in the area. The people acquired expertise in boat-making and the weaving of nets because of their relevance to the business.

However, Zayyad (1992) account of entrepreneurial development in Nigeria is more graphic. He referred to the trans-Saharan caravan routes which date to the eleventh century as the earliest evidence of such development. He



observed that halting points along the route like Kano and Timbuktu benefited from the activities of these highly organized traders. They travelled wide and far, disseminated entrepreneurial ideas, capital and technology. They were important sources of training for building entrepreneurs.

It is generally believed that the famed entrepreneurial ingenuity of the Igbo emanated from his ability to “use the business resources as the entrepreneur see fit”. Sole proprietorship gave the individual such privileges which practically which paradoxically were to become a hindrance on both the scope and longevity of the enterprises. In any case, in the colonial and immediate postcolonial era in Nigeria, an array of ingenious entrepreneurs emerged across the nation. These were acclaimed for their ability to, build business enterprises from concerns of little consequences.

The African philosophy of “Cowries are men” is relevant here – a reference to the economic determination of human thought and social status as the context of the entrepreneurship in traditional Nigerian business setting, which gave impetus to the Odumegwu Ojukwu, L.N. Obiohas, Odutolas, Nnenna Kalus, Fajemirokuns, Edus, Dantatas, Ibrus, Okoya-Thomas, Mai Daribes, Ishiaku Rabiun among those early entrepreneurs that distinguished themselves. Across the spectrum, a host of other entrepreneurs held sway whether in commerce or manufacturing scenes.

These are ample evidences to corroborate the work done by Harvard psychologist McClelland, and Hagen of MIT (1980) on “need achievement” and “block minority” theories as some of the distinguishing features in our early entrepreneurs. A study of the ‘Aro’ adventures and ‘Osu’ oligarchy with their cults of power and wealth respectively would no doubt confirm this.

Paradoxically, those factors that enhanced the development of indigenous entrepreneurship were to militate against its perpetuation and depth. Those kinship obligations that motivated increased productivity were easy avenues for

frittering away investible capital and become frightful sources of financial haemorrhage. Similarly, the sole proprietorship that facilitated easy and faster decision making was to prevent the infusion of fresh ideas beyond the entrepreneur himself and the involvement of professional expertise. The apprenticeship structure reflecting a household culture which was a veritable system for the development of entrepreneurial platform was easily eroded. Consequently, a culture-clash now merged to permanently challenge the beneficial aspects of the evolving trade-cultural institution. These were to function against the growth and perpetuation of indigenous entrepreneurship. In reviewing and appreciating Chinua Achebe’s *Man of the People*, Richard (1990) states “The gird of Nigerian political society is an intricate and expanding network of patron – client ties, which serves to link communities in a pyramidal manner. At the summit of such networks can be found in individual office holders in the Federal and State capitals”. According to Bissel (1990) the adoption of state dominated economic programme ended up shifting the creative energies of local entrepreneurship, hampering this vital engine of growth. These economic programmes also created cumbersome, inefficient bureaucracies that were rife with corruption and that inevitably undermined prospect for good governance via its ‘cronyism’.

In other words, the trend towards entrepreneurial development diminished as public enterprise management discouraged initiative, drive and competitiveness. This gave rise to government’s pervasive involvement in enterprise management which was to have a negative consequence of stultifying entrepreneurial development as will be seen later in the write-up. Eventually the increased government revenue occasioned by the oil boom of the 1970s could be seen to have further gingered public enterprise establishment which culminated in the retardation of indigenous entrepreneurial development.

3.2 Government's Attempt to Develop Entrepreneurship

The retardation in entrepreneurial development and small private enterprise was systematic and continuous. By the 1970s, for instance, there were over one million small scale businesses employing some 3.2 million people. However, by 1981 through 1984, as a result of a number of constraints such as shortage of foreign exchange, lack of industrial raw materials and the problem of spare parts etc., many were producing well below installed capacity or had virtually closed down.

In any case, in an effort to reverse the inadvertent stultification of entrepreneurial development, government evolved policies that generated a number of structures and institutions. Foremost among these is the Nigerian Enterprises promotion Board (NEPB) which among others was to:

- a) Create opportunities for Nigerian indigenous businessmen;
- b) Raise the proportion of indigenous ownership of industrial establishment;
- c) Maximize local retention of profits;
- d) Raise the level of local production of intermediate goods;
- e) Advance and promote enterprises in which citizens of Nigeria shall participate fully and play a dominant role.

Similar structures have evolved over the years. In 1962, the then Eastern Nigerian Government established the Industrial Development Centre (IDC) Owerri. Following its success, the Federal Government of Nigeria in 1970 established similar centres across the federation. They were to perform the following functions:

- a) Training of entrepreneurs and staff including management training;
- b) Provision of industrial extension services;

- c) Undertaking applied research into individual products involving design of products for small and medium scale industries;
- d) Providing facilities for managerial training as well as consultative and extension services to proprietors and managers of small scale enterprises.

These were to help stimulate entrepreneurial development. The "working for yourself" and Entrepreneurial Development Programme were specially put in place to inculcate entrepreneurial skills. However, by 1989, only 8.29% of business plans submitted had been actualized, indicating that the programme had not recorded any worthwhile success.

Furthermore, the mandate of the Nigerian Industrial Development Bank (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI) included the provision of the financial outlay for building entrepreneurs. And lately, the Nigerian Economic Reconstruction Fund (NERFUND) was established by decree No. 2 of 1989.

Its specific objectives are:

- a) Provision of medium to long term financing to SMES especially manufacturing and agro-allied enterprises and ancillary service.
- b) Provision of long term loan to participating commercial and merchant banks for on-lending to SMES for the promotion and acceleration of productive activities in such enterprises.

The NEXIM, DFRRI, Peoples Bank and the Community Bank Programme were all aimed at entrepreneurial development.

The National Directorate of Employment (NDE) was established to provide various forms of institutional support for the development of entrepreneurship. These were some of the administrative structures put in place to help



entrepreneurs see to their concern from gestation to maturity. The Entrepreneurial Development Programme, National Open Apprenticeship Scheme, Working for Yourself programme, and the Training the Trainer Scheme, all were aimed at developing the crops of the entrepreneurs needed in the economy. In this direction, the Centre for Management Development (CDM) was taking the lead.

The Family Advancement programme (FEAP) was put in place to augment the above effort and help internalize the gains of macro-economic adjustments and techno-scientific endeavour of government. Poverty Alleviation programme and National Poverty Eradication Programme (NAPEP) were launched by Obasanjo Administration for the same purpose. These efforts have not really resulted in the inculcation of entrepreneurial skills in Nigerians but rather in the creation of a padded bureaucracy.

Consequently, the Nigerian Public Service is currently going through a programme of reforms – privatization, liberalization, and deregulation. The reforms involve changing strategies for economic management from approaches dominated by the public sector to approaches that encourage the private sector participation.

In Nigeria, the first major attempt made at examining the economy in terms of ownership of public enterprises was the setting up of the Presidential Commission on Parastatals in 1981(Bala, 1993). The Commission lamented in its report that the state involvement in the economy has been characterized by low returns, negative profits, absence of cost-effectiveness and lack of proper financial records. It therefore, recommended an increase in the role of the private sector, especially in the non-sensitive and non-security related enterprises. Privatization of public enterprises thus, became compelling as a means of rationalizing public spending, stimulating private sector participation in the domestic economy, and curtailing large scale corruption and inefficiency in the public sector. In spite of this genuine concern over the issue of privatization

and commercialization, it was only in 1988 that government took a serious decision to scale down its involvement in the running of the economy by Decree No. 25.

The objectives of the privatization and commercialization programmes are :

- i. To send a clear message to the local and international community that a new transparent Nigeria is now open for business.
- ii. To restructure and rationalize the public sector in order to substantially reduce the dominance of unproductive government investment in the sector.
- iii. To change the orientation of the public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency.
- iv. To raise funds for financing socially-oriented programmes such as poverty eradication, health, education and infrastructure.
- v. To ensure positive return on public sector investment in commercialized enterprises, through more efficient private sector oriented management.
- vi. To check the present absolute dependence on the treasury for funding by otherwise commercially oriented parastatals and so, encourage their approach to the Nigerian and international capital market to meet their funding needs.
- vii. To initiate the process of gradual cession to the private sector those public enterprises which are better operated by the sector.
- viii. To create jobs, acquire new knowledge, skills and technology and expose Nigeria to international competition (Privatization Hand Book, 2004).

National Economic Empowerment and Development Strategy (NEEDS) was articulated by Government and the aim, among others, was to empower the Nigerian people to be active participants in the economic domain and to remove the dominant role of the state in controlling the commanding



heights of the economy. The reform should invariably involve right – sizing the public institutions to make them efficient and effective. It should also involve acquiring new skills and orientations by public servants to adapt to the new configuration of public service. Public servants must be proactive, creative, innovative and should have the requisite skills and knowledge to manage the new economy and society, which are private sector- driven and depend on markets for allocation of resources (Kwanashie, 2004).

Okigbo (1986), in Baiye, (2003) maintains that unemployment initially was viewed by the ruling class as a normal feature of the economic structure. Graduate unemployment created by the same economic crisis is now being given attention because of its threat to political stability. In respect of mass unemployment, it seems government has placed its faith on the organized private sector for curbing the situation and producing the right crop of entrepreneurs (this is not really producing the right results). The ruling class also expected the economy to expand massively and become self-sustaining to, at least solve some of these problems by the year 2000 (such massive expansions are yet to be witnessed).

4.0 CONCLUSION AND RECOMMENDATIONS

The evaluation of public enterprise management in Nigeria has not credited it with the generation of a satisfactory crop of entrepreneurs with the requisite drive, motivation, proper orientation and experience to pilot the repositioned, refocused and privatized enterprises. The paradigm shift therefore, requires a public service that is knowledge based and this makes massive retraining of existing workers in the Nigerian public service imperative.

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