1983


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ANALYSIS OF THE SUCCESS OF PUBLIC ENTERPRISES IN NIGERIA: AN ORGANIZATIONAL STUDY OF THE NEW NIGERIA DEVELOPMENT COMPANY

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Date
DEDICATED WITH LOVE, RESPECT AND GRATITUDE

TO THE MEMORY OF

DR. ADESOLA ADEOGUN
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Chapter 1

INTRODUCTION

As civilization becomes increasingly complex the problems faced by government in providing public goods and services also become more and more complicated. New plans, new methods, new agencies are constantly being devised by government to carry out its responsibilities. Topping the list is some form of semi-autonomous public enterprise organizations which are now used as instruments for economic advancement. This phenomenon is on the increase, especially in developing countries, and Nigeria is no exception.

The history of the evolution of public enterprises in Nigeria is as old as that of colonialization, and successive governments in the country since independence have realized that political freedom without economic independence is a farce. Thus, Nigeria has created many public corporations of various kinds. These include social service enterprises, such as water or power supply companies; semi-commercial enterprises, such as the airways and the railways; the outright technological-cum-scientific enterprises, such as the various Research Institutes and the University Teaching Hospitals; and the profit-oriented enterprises, such as the various Investment Corporations.

The literature on the operational performance of these public enterprises is rich, and still growing. However, what has emerged from the diverse reports and
comments can be summed up as a story of disillusionment. It is the opinion of such highly respected professional associations as the Nigerian Economic Society that there is a prevailing scepticism about the public enterprise approach, arising mainly from the disappointing performance of the country's public corporations in the near past. The initial laudable aims and high hopes have been met by the disappointing performance of one public enterprise after another. Not only has there been a low return to capital invested, but also the low quality of management has compounded the high incidence of direct Ministerial intervention in routine operations of these enterprises. There are evidences of poor internal administration in some cases, and in others, serious mistakes have occurred as a result of inadequate or defective pre-investment studies. At issue is the economic well-being of the nation, the prestige of economic and political institutions, and the satisfaction of the needs of the people.

The underlying purpose and objective of this paper is to study the New Nigeria Development Company (NNDC) in order to isolate the variables that have contributed to its success and in order to develop recommendations regarding ways that other public enterprises may become more successful ventures.

NNDC is a development finance institution wholly-owned by ten of the nineteen state governments of the Federal Republic of Nigeria, in varying proportions. It started as
a departmentally-managed Board in 1949, metamorphosed into a public corporation, and became a limited liability company in 1968. The guiding hypothesis of this research is that NNDC's success is the result of good leadership, autonomy in management decisions, effective planning and dedicated employees. Each of these variables will be analyzed to determine if they indeed have contributed to the success of NNDC. Finally, conclusions and recommendations will be drawn from the analysis.

Principal Forms of Public Enterprise

The New Nigeria Development Company can best be understood by placing it in the context of the role of public enterprises in developing nations. The variety of forms in which these nations have, at different times, proceeded to establish public enterprises is almost infinite, but three main types emerge to which they can be categorized: 1) the departmental government enterprise; 2) the public corporation; and 3) the State-owned company.

Departmental Government Enterprise. With the multiplication of government tasks, government departments have found themselves saddled with an increasing variety of responsibilities. The departments or Boards are the traditional type of public enterprise used for such utilities as water supply or postal services. Organizationally, this form of enterprise is generally set up as an agency within one of the executive Ministries of government, and is financed by annual appropriation from the Treasury. The enterprise is subject to the budget, accounting, and audit controls.
applicable to other government departments. The permanent staff of the enterprise are civil servants who are recruited and remunerated the same way as other government employees. Wherever this applies in the legal system of the country concerned, the enterprise possesses the sovereign immunity of the State and cannot be sued without the consent of government.

The disadvantages attached to the use of these enterprises are obvious. The adherence to ordinary civil service rules and procedures are incompatible with commercial type operation. In some cases, the enterprises become tools of political power-plays and manipulations. Also, the innumerable memoranda that are written almost on daily basis and even on routine official matters add to the amount of red-tape in departmentally-managed public enterprises. In general, there is an overall exaggerated phobia about management by bureaucracy, and a lack of autonomy in management and accounting.

The Public Corporation. A United Nations Report titled Public Enterprise: A Study of its Organization and Management in Various Countries, described some general characteristics of public corporations in different countries, including Nigeria. The most distinguishing attributes are:
a. Creation - a public corporation is generally created by statute or by a Government ordinance,
defining its powers, duties and immunities, and prescribing the form of management and its relationship with established government departments and Ministries.

b. **Legal Status** - as a body corporate, it is a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in its own name.

c. **Method of Financing** - a corporation's funds are generally derived from appropriations to its capital fund, borrowings from the Treasury or commercial banks, and revenues from the sale of its goods and services. A corporation is authorized to use and reuse its revenues.

d. **Authority to Make Expenditures** - a corporation is usually given power "to determine the character of, and the necessity for its expenditures, and the manner in which they shall be incurred, allowed and paid." A corporation is thus exempted from most of the regulatory and prohibitory statutes applicable to the expenditure of public funds.

e. **Accounts, Budgets, Audit** - a public corporation is ordinarily not subject to the accounting, budget and audit laws and procedures applicable to non-corporate government agencies and departments. These systems normally follow private commercial practice with due allowance for flexibility.
f. Personnel - several corporate charters have recognized the need for greater management autonomy in the handling of personnel. In the majority of cases, employees are not civil servants, but are recruited and remunerated under terms and conditions which the Corporation itself determines from time to time.

The overall significance of these corporate powers is to enable Government to render service and discharge obligations to the public as nearly as possible in the same manner as a private business. Also, private entrepreneurs are familiar with the corporate form of organization and feel more at home in doing business with a public corporation which can sue and be sued.

State-owned or Joint Stock Companies. Many countries, including Nigeria, have adopted the form of a commercial company, both in cases where the State joins private enterprises in the conduct of a specific commercial undertaking, and in cases where the State alone establishes an entirely government-owned company. Broadly, the difference between this type of enterprise and the public corporation is confined to matters of form and registration. Whereas public corporations are established by particular decree, state-owned companies are established under the "Companies Decree" or the corporate law of a country.

There seems to be no clear reason why one enterprise is a "corporation" whilst another in a similar activity is a
"company". In the case of Nigeria, the Udoji Public Service Review Commission made the following remarks in its Main Report of 1974 while commenting on the organization and structure of public enterprises:

There is need for consistency here, and we would recommend that those public enterprises which are essentially infrastructural in purpose, whose primary objectives and operations require closer Government direction and control to ensure consistency with public policy, should be statutory corporations...... Those public enterprises whose primary objectives are commercial, which are intended to make a profit, or at least meet their costs taking one year with another, should be incorporated companies.2

Whatever their nomenclature, however, these public enterprises are set out as instruments of economic advancement. They represent one of the several ways Government can achieve a high level of prosperity and progress. They help to relieve Government in its responsibility for the provision of certain welfare and essential services to the community and in some cases, actually relieving the government in its financial burden by providing funds through their revenues and surpluses for infrastructural, social and developmental programs.

In terms of the above categories of public enterprises, the NNDC can be characterized as a departmental government enterprise from 1949 to 1955; a public corporation from 1956 to 1967; and a State-owned company from 1968 to date.
Motives & Purposes of the Establishment of Public Enterprise

There are many fundamental reasons why it has become almost inescapable that the developing countries should and indeed do have a large public enterprise system. In the first place, the rate of private capital formation is often too slow and probably inadequate for many purposes. There is therefore a practical necessity or an indispensable need for government to intervene, in the interest of general development, in ventures which private investors are either not willing or not able to launch. It is not surprising, then, that railways and other basic public utilities, such as electricity or irrigation constitute a favorite field of public enterprise. A second reason is the need to spur economic growth, in the light of national priorities, given the inability of private entrepreneurs to undertake certain economic activities which they consider as having only marginal profit level. Thirdly, for reasons of political instability in developing nations, foreign investment is usually shy or reluctant to come to these nations to promote industries. As a guarantee of good faith, the government then enters into partnership with indigenous private sector, and attracts foreign partners. Thus, government participation provides a guarantee of safety to foreign businessmen who transfer resources in the form of investment, capital and skilled labor.

The welfare effect of development is yet another reason. It is said that true national economic growth does not
involve increase in per capita income alone but involves equitable income distribution as well. Government, being responsible for the general welfare of its citizens as opposed to a single section of it (which most private interests represent) therefore owes it as a fundamental duty to regulate productive activities in the public interest.

Strategic issues constitute a fifth reason that government may establish public enterprises. The State, for example, may get involved in the production of arms and armaments and defence materials. For purposes of national security and survival, such cannot be left entirely to private hands. International comparability is another reason that can sometimes force a government to make some undertakings public, such as the Airlines. This is the need to participate effectively in international markets according to laid down rules and procedures, including the desire to gain recognition and acceptance into international bodies like the United Nations.

Finally, there is the motive to make fuller use of human and material resources whereby the public enterprise system provides a generally more rigid and freer authority to hire and fire and thus make employees more committed and responsible to their jobs.

It was against this background that the use of public enterprises has become increasingly popular throughout the developing nations. Certainly, it was because of these and
other specific objectives, which will be analyzed more fully in the following chapter, that the New Nigeria Development Company came into existence.
Chapter 2
THE EVOLUTION OF THE NEW NIGERIA DEVELOPMENT COMPANY

In order to gain a better understanding of the nature of the NNDC, it is important to describe rather briefly the historical evolution of the organization. Towards this objective, it is helpful to define its evolution in terms of three stages: 1949 to 1959, the period under British tutelage; 1960 to 1967, the period during the first civil rule in the country; and finally 1968 to date, the period NNDC has operated as a limited liability company. Each stage is characterized by difference in the structure of management, scope of company activities, and the nature of the planning process. This chapter will analyze the organizational evolution of NNDC in each of these three stages in order to provide a general overview of management structure, company activities, and planning processes, and how they have changed over the years.

British Tutelage Period

Under British colonial rule which lasted until 1959, Nigeria had three distinct regional governments, namely, the Northern Region, Western Region, and Eastern Region; each engaging in developmental activities that could improve the conditions of life of its peoples.

The nature of the Northern Nigerian society was then (and still is) a rural economy, which needed government direction and involvement before it could become semi-indu-
trialized. It was also a society that could claim little in the way of infrastructural development; thus there was a great need for basic capital investment before it could take-off on the industrialization course. In short, technical skill was scarce and there was too little private capital investment. It was an environment that offered an opportunity for agricultural and industrial development once the necessary instruments were available - including the setting up of an institution which would spearhead the development of basic infrastructure for industrialization. An examination of the activities of the NNDC reveal that it undertook this challenge, under the auspices of the Northern Regional government, during the initial phases of its life.

The Northern Regional Production Development Board (NNDC's name from 1949 to 1955) was under the direct ministerial supervision of the Premier. It operated in accordance with the rules and regulations of the civil service administration, and was funded mainly by grants from the regional government and the Northern Regional Marketing Board.3

The scope of activities of the Northern Regional Production Development Board involved the construction of feeder roads, agricultural land settlement schemes, and the building of markets, abattoirs, and motor parks. The Board was also involved with seed multiplication for cash crops
such as cotton and groundnuts, provision of fertilizers to farmers, tsetse-fly control and dam construction in aid of the peasants.

In August 1955, a Development Corporation Bill was passed by the Northern Regional House of Assembly, and with it, the laws establishing a 'Corporation' came into force. On January 1, 1956, the Northern Regional Production Development Board became Northern Region Development Corporation, with a formally constituted Board of Directors and a full-time Chairman. The Premier or his representative continued to oversee the operations of the Corporation.

The scope of activities of NNDC can best be described by enumerating the major provisions of the LAWS which established it:

1. The making of loans to persons for schemes or projects designed to further the economic development of the Northern Region and in particular the development of agricultural, industrial or commercial enterprises in the Region.

2. The formulation of schemes for the economic benefit or prosperity of the producers or the area of production.

3. The direct investment of the funds of the Corporation in productive agricultural and industrial projects in the Northern Region.
4. The encouragement of agricultural and industrial development in the Northern Region including the promotion of cooperative activities and the provision of technical and managerial advice to private entrepreneurs in the Region.

5. The training of Northern Nigerians for the purpose of carrying out or furthering schemes proposed by the Corporation.

6. The preliminary investigation of any schemes within the spirit of the above provisions.  

A major investment initiative undertaken during the period was the opening on August 3, 1957, of the first textile factory in Nigeria - Kaduna Textiles Limited - in Kaduna (seat of the Northern Regional government and NRDC Head Office).

**Early Independence Period**

With the achievement of independence in 1960, the name of Northern Region Development Corporation was changed to Northern Nigeria Development Corporation (NNDC), the initials by which the organization is popularly known. Membership of its Board was enlarged to fourteen, most of whom were politicians. As a deliberate policy to "northernise" the various positions hitherto held by expatriates and other non-indigenes of the Region, and more importantly, because of the constitutional changes and the wind of nationalist feeling that was blowing over
the country, most of the Board and management positions were accordingly northernized.

Apart from the two major sources of funds inherited by the Corporation, it also took over the assets, funds, resources, undertakings, rights and interests of its predecessor - the Production Development Board. In addition, the Federal House of Representatives appropriated monies to it from time to time.

Operationally, the Corporation's efforts were geared towards being the most important tool with which Government intended to develop the Region's economic resources, both human and material. It initiated appropriate enterprises in cooperation with foreign investors and indigenous private business, and granted the latter substantial sums of money in the form of loans for the promotion and development of indigenous entrepreneurship. The Corporation was thus the pump primer, producing capital where it was not available in order to start off an enterprise, and when such enterprise proved a success, the Corporation was to withdraw gradually using its holdings for investment in yet new ventures. With this revolving tendency of resources and capital, there was to be a chain of successful commercial and industrial enterprises established throughout the Region, subsequently owned and managed by private entrepreneurs, but with the Corporation being responsible for starting them.
A significant occurrence during the period is worth mentioning. The Chairman of NNDC at the time was both the Chairman to the Board and the Chief Executive Officer who had overall responsibility for the affairs of the Corporation. The Chairman dealt with broader issues of policy and overall financial control; and the prerogatives he enjoyed vis-à-vis his party affiliation with the Premier gave room for political patronage. The point of the matter is that the provisions of the law and the perception of the Chairman of his role led to corrupt practices and mis-management as revealed by the Durlong Commission of Inquiry on NNDC, one of several Commissions set up by the first Nigerian Military Administration in 1966 to look into the public economic institutions of the country in order to bring to light the mistakes and malpractices of the previous civilian administration. The Commission's Report showed that actual malpractices had occurred. For example, non-viable commercial firms had been purchased at exorbitant prices; large scale investments had been made in unsatisfactory firms; and loans had been given on political grounds without proper investigation of the projects involved or adequate loan Agreements. There was total disregard for the credit-worthiness of the loan recipients, the likelihood of achieving commercial success, and the potential contribution of such proposed enterprises to the general economy of the Region.
These findings are of great significance as they are typical of most public corporations in Nigeria. More importantly, they reflect on the debilitating effects of political interference in the operation of government-owned enterprises.

**Post Incorporation Period**

With the creation of states in Nigeria in 1967, and the division of the Northern Region into six states, it was decided to incorporate NNDC into a limited liability company. This was achieved on July 12, 1968, and the net worth of the Corporation was allocated between the six new states as shares in the proportions in which they had agreed to apportion the assets and liabilities of the Northern Region. Following the creation of additional states in the country in 1976, the shares were further apportioned among the present ten states of the former Northern Nigeria.

A new Board of Directors was appointed consisting of one member from each shareholder state and three members outside the civil service versed in economics, finance or business administration. A part-time Chairman and a full-time Chief Executive Officer are also members of the Board.

Since its incorporation in 1968, the New Nigeria Development Company has passed through three distinct development phases. The first phase which covered three years (1968 - 1970), was devoted to the transformation of a corporation into a commercial organization. Management efforts at that time were applied to making the new company
financially sound and operationally efficient.

The second phase, which covered a five year period (1971 - 1975), could be regarded as a period of consolidation, reorganization and rationalization of NNDC's portfolio investments. A comprehensive programme aimed at liquidating moribund projects for sound performance, was formulated and implemented. Furthermore, an effective monitoring system was established to control portfolio investments. New projects were promoted in partnership with reputable technical partners and the training of high level manpower enunciated in the Development Corporation LAWS, but which hitherto had not been given any serious consideration, was accorded a priority treatment in this era.

The concept of sectoral subsidiary grouping was also formulated. Under this scheme and as a result of the rationalization exercise, NNDC became a Group holding company with its activities divided into three main operating subsidiaries, each specializing in a particular sub-sector. All other activities not grouped under any of the subsidiaries are held by the parent company itself. The fundamental rationale for this arrangement is that while the NNDC itself remains a public enterprise in the public sector, the operating subsidiary companies would keep a parity position vis-a-vis their private sector counterparts. In that way it is possible for the NNDC to pursue economic and social goals as defined by Government, while at the same
time ensuring economic accountability through structures and procedures peculiar to private enterprise.

In the third phase, which stretched from 1975 to 1980, NNDC metamorphosed into a multi-functional public organization. Although Management continued its developmental role, it systematically modified operational strategy to take advantage of the new opportunities offered by the rapid expansion in the national economy. The Management at that time was active in its diversification drive and quest for investment dispersal. In fact, the process of consolidation and reorganization inaugurated in the earlier two phases was revamped and strengthened during the third phase. It was Management philosophy to support its promotional drive of investments with efficient financial infrastructure. Consequently, it initiated the establishment and operation of Stock Exchange, Insurance Brokerage and Merchant Banking. These financial services were designed to revolutionise and modernise the capital market. Overall, NNDC operations witnessed a phenomenal expansion during the period, which was undoubtedly accentuated by the general economic buoyancy arising from oil prosperity and the restructuring of the country's industrial sector through the Indigenization Policy.  

Today, the NNDC is a family of over 130 companies spread across twelve states in the Federal Republic of Nigeria and covering virtually the major sectors of the national economy - Agriculture, Manufacturing, Textiles, Hotels, Building & Construction.
In spite of the differences noted in the evolution of the NNDC, one factor has however remained constant: the goal of the organization has remained clearly stated at all times. The company's redefined objectives are:

i. To invest in productive ventures which are conducive to the overall development of the national economy.

ii. To effectively channel financial resources for industrial development and to maximize mobilization of investible funds.

iii. To act as a catalyst in stimulating industrial funds development and inducing advanced managerial and technological skills.

Bearing in mind, the various environmental constraints within which enterprises operate in Nigeria, NNDC lay emphasis on the following:

a. Aggressive identification, preparation and promotion of new projects which will utilize our national resources.

b. Creation of job opportunities.

c. Import substitution projects.

d. Inducement of foreign capital investment.

e. Development of a viable commercial infrastructure.

Such is the evolution of NNDC, engaged initially in the development of rural economy but grown into an institutional investor actively seeking opportunities that would
contribute to the economic diversification of its areas of operation, and Nigeria in general. The structure and processes it utilizes to carry out this arduous task will be examined briefly in the next chapter.
This study will be incomplete without describing the principal features of the structure and mode of operation of the NNDC. This will give the reader a fairly comprehensive idea about the whole organization. The author wishes to point out, however, that the activities of the NNDC are broad, and to cover every aspect would certainly be outside the scope of the study. It is regrettable that in compliance with this limitation, some things have been left out which may be equally significant.

Organizational Framework

The 15-man NNDC Board of Directors determines the broad operating policies of the company. The Board is responsible for approving investment proposals, appointing Management staff (including General Managers of all subsidiary companies), approving recurrent and capital budgets, determining conditions of service for company employees, and nominating outside persons to represent the company in portfolio investments.

The Corporate Headquarters of NNDC is housed in levels 4, 5, 6 and 7 of a ten-story building itself owned by the company and located in the city of Kaduna. The Headquarters office is grouped into the following seven divisions, each headed by a Divisional Director: Construction and Real Estate; Textiles; Manufacturing; Hotels; Agriculture; Financial Institutions & Commerce; and Personnel. The
day-to-day operations of the company are carried out by a team of professional officers under the leadership of the Group Managing Director and Chief Executive. The Divisional Directors are accountable to him, and he, in turn, is responsible to the Chairman and Board of Directors. The NNDC Organizational Chart is shown as Table 1.

**Investment Criteria**

Although profitability is an essential NNDC investment criterion, non-financial benefits like technology transfer and employment generation are equally important. As a matter of general policy, the minimum exposure in any venture is ₦50,000\(^{11}\) because it is felt that application for financial assistance below such amount should be within the sphere of the small industries credit schemes operated by each state government.

Projects seeking NNDC financial assistance are examined in the light of several factors:

- the national priority of the project.
- the technical, financial and economic viability of the project.
- the experience and probity of the promoters and their own financial contribution to the project cost.
- whether or not the financing arrangement is realistic and the project has prospect of a reasonable return.\(^{12}\)
Table 1

NNDC Limited Organizational Chart

Chairman/Board of Directors

Group Managing Director & Chief Executive

Company Secretary


Source:

Subsidiary Companies

The main subsidiary companies where NNDC has majority shareholding are streamlined to fit into the seven divisions at the Corporate Headquarters for effective supervision and coordination. The role of the Divisional Directors in the supervision of subsidiaries falling under their jurisdiction is to monitor all the monthly qualitative and quarterly quantitative reports from the subsidiaries. The Divisional Directors ensure that the reports are received regularly and punctually; that such reports are studied, analyzed and any observations immediately communicated to the subsidiary concerned. The Divisional Directors perform a purely supervisory role as the ultimate responsibility for performance against set targets remain that of the subsidiaries' General Managers. The Divisional Directors provide the guidance for achieving better results.

Relationship with Other Public Enterprises in Nigeria

According to the Chief Executive of NNDC, there is no defined formal relationship between his company and other Federal/state public enterprises in the country. He, however, said that the NNDC has been rendering management services to some of these institutions especially the newly created states investment corporations. The role of all the enterprises is complementary and not competitive, as the relationship is purely that of 'cooperation in development'.
Future Development Strategy

The future of NNDC will rely heavily on the present and future Nigeria National Development Plans.¹⁴ The company is however poised to participate effectively in the industrial and commercial development of its shareholder states during the current Plan period (1980 - 1985).

There is evidence that the Federal Government will generate a number of exciting projects throughout the country and a particular focus is the Iron & Steel industry which will bring with it new opportunities for industrial frontiers. There will be need to produce simple agricultural tools, transport and communication equipment and new processes in food technology. The Iron & Steel complex will also affect the construction industry through the production of building materials and steel fabrication, metal and wood-working machinery. Other strategic projects earmarked by the Federal Government for the present decade include a Petro-chemical complex, Nitrogenous fertilizer etc.

NNDC Management is determined to gear its efforts towards these national goals and priorities. The Chief Executive is currently working on the improvement of administrative, accounting, and financial systems of the company by looking indepth into these systems, through extensive consultations with the Divisional Directors and other employees.¹⁵ The ultimate aim is to continue to achieve a desirable equilibrium between the need to develop and the necessity to make reasonable returns on company investments.

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IS NNDC A SUCCESS?

Assessing organizational success can be approached in several different ways, including assessment of how much the organization has grown, how much profit it has made, whether or not it is perceived as being successful (i.e. its reputation), and whether analysis reveals that it has met its stated objectives. Oftentimes, the measure of success is a subjective exercise as outputs of certain services are elusive, difficult to measure and open to evaluation by widely differing criteria. This is why it has been necessary to provide a fairly comprehensive study of NNDC in the preceding chapters with the hope that such background information will lead to a fuller and perhaps more objective picture regarding judgement of success. This chapter will seek, first, to establish whether or not the NNDC can be judged a success, and second, to explain why it has succeeded or failed. The criteria by which success will be judged are the extent to which NNDC has met its stated goals, the extent of its growth, profitability if any, and the impact on the environment within which it operates.

Stated Objectives

The first criterion for evaluating the performance of NNDC is the extent to which it has fulfilled wholly or partly the functions it was set up to perform. Up to this
point, it can be seen that the prime objective of NNDC is to promote the industrial development of its shareholder states in particular and Nigeria in general. This is formally stated in Article 3A of the Memorandum & Articles of Association of NNDC:

To secure the investigation, formulation and carrying out of projects for the development of industry and for the production of foodstuffs and raw materials in Nigeria.16

This stated objective will be evaluated with reference to four main areas of NNDC operations, namely, Agriculture; Hotels; Building & Construction; and Textiles.

Agriculture. A quotation from one of the founding fathers of NNDC, the late Premier of Northern Nigeria will show the importance accorded Agriculture in that part of the country. In an address marking the opening ceremony of NNDC headquarters offices in Kaduna on August 3, 1957, the late Sir Abubakar Sardauna said:

there is one particular aspect of development in Northern Nigeria which I wish to stress today. Though we are doing our best to develop our industries and our commerce, it is true that for many years ahead the welfare of the majority of our people must depend on agricultural progress. Our Region will never be able to afford medical, educational and other forms of social services unless there is a substantial increase in our wealth...... Our national wealth therefore depends on greater organization and greater development of improved methods of farming...... The need of the farmer must not therefore be forgotten when we formulate our plans for industrialization and commercial development.17
These words spoken over two decades ago are still relevant to the needs of Nigeria today, as Agriculture has always been the most important single activity in her economy.

During the military rule in the country, a scheme tagged "Operation Feed the Nation" was introduced in 1976 primarily to reawaken Nigerians interest in agriculture and to encourage them to grow a substantial part of the food they consume. The civilian administration that came into power in October 1979 continue to build on this foundation through its popular program, the "Green Revolution". Government involvement in Agriculture is intended to make Nigeria fully self-sufficient in producing yams, cassava, plantains, rice, and beans for food, and cocoa, groundnuts, rubber, cotton as raw materials for the local industries and for export.

NNDC's commitment to this noble goal started at its early life as indicated in Chapter 2 of this paper. The company was then involved with tsetse-fly control and eradication, crop cultivation, agricultural schemes entailing the provision of mechanical cultivation services to the Northern peasants, dam construction, provision of fertilizer, and road building. The formation of a wholly-owned subsidiary company - Nigerian Agricultural Promotions Company - in 1970 further emphasizes this commitment.

The subsidiary company (NAPC) works closely with the shareholder state governments to promote such agricultural and agro-allied industries as oil processing, tea and coffee
manufacture, jute sack manufacture, rogo production and processing, mechanized farming. The activities of NAPC also include consultancy services in agricultural enterprises; management of abattoirs and feedmills; direct production of poultry, apiculture, fishculture; manufacture of small farm equipments (e.g. threshers); food processing; and investment promotion of agricultural inputs like fertilizers, chemicals (insecticides), and poultry vaccine production. The Agricultural Division of the Corporate Headquarters of NNDC is directly responsible for overseeing the activities of NAPC. NNDC investment in agricultural companies located throughout the country is shown in Table 2.

Hotels. The history of hotels development in the Northern Nigeria in order to combat the acute shortage of hotel accommodation is simply the history of NNDC efforts in this direction. The company built its first ultra-modern 149 bedroom Hamdala Hotel in Kaduna in 1962 and also owns the Northern Bakeries Limited (Kaduna) which produces confectioneries of various kinds. NNDC has investment in Nigeria Hotels Limited which owns the Central Hotel in Kano and Hill Station Hotel in Jos. NNDC has majority shareholding in the Lake Chad Hotel in Maiduguri and Sokoto Hotel in Sokoto.

As a result of the rationalization exercise aimed at providing sectoral investment administration, NNDC interests in the hotel industry are grouped together under its subsidiary company - Arewa Hotels (Developments) Limited.
Table 2

NNDC Investments in Agriculture

<table>
<thead>
<tr>
<th>Company</th>
<th>% Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria Agricultural Promotions Company</td>
<td>100</td>
</tr>
<tr>
<td>Northern Nigeria Flour Mills</td>
<td>10</td>
</tr>
<tr>
<td>Northern Nigeria Fibre Product</td>
<td>32.26</td>
</tr>
<tr>
<td>Nigerian Sugar Company</td>
<td>30.79</td>
</tr>
<tr>
<td>Arewa Agricultural Enterprises Limited</td>
<td>29.41</td>
</tr>
<tr>
<td>Gombe Oil Seeds Processors Limited</td>
<td>25</td>
</tr>
<tr>
<td>Nigeria Beverages Production Company</td>
<td>25</td>
</tr>
<tr>
<td>Rogo Processing Limited</td>
<td>30</td>
</tr>
<tr>
<td>Northern Diaries Limited</td>
<td>15</td>
</tr>
<tr>
<td>International Tanneries Limited</td>
<td>25</td>
</tr>
<tr>
<td>Holts Nigeria Tanneries Limited</td>
<td>46.85</td>
</tr>
<tr>
<td>Great Northern Tanning Company</td>
<td>14.77</td>
</tr>
<tr>
<td>British Cotton Growing Company</td>
<td>24</td>
</tr>
<tr>
<td>Maiduguri Flour Mills Limited</td>
<td>10</td>
</tr>
<tr>
<td>John Holt Agricultural Enterprises Limited</td>
<td>40</td>
</tr>
<tr>
<td>Jema'a Mechanised Farms Limited</td>
<td>25</td>
</tr>
</tbody>
</table>

Source:
As part of its activities, AHL developed and managed the Zaria Hotel until 1980 when the hotel was handed over to its owner - Kaduna State Government. The AHL also manages the Kongo Conference Hotel, Zaria for the Ahmadu Bello University; and the Durbar Hotels in Kaduna and Lagos on behalf of the Federal Government. Of the latter, Alhaji Ahmed Talib, Chairman of NNDC from 1968 to 1981 had this to say in his Statement to the Board for the operating year ended March 31, 1979:

Durbar Hotels outstanding performance for second year running has earned AHL the commendation of the Federal Military Government and the consequential decision to replicate Durbar type hotels in each of the state capital in Nigeria, and the appointment of AHL as the Development Consultants for the project and Managers for the hotels when they are completed. 18

Arewa Hotels (Developments) Limited is actively involved in exploiting areas of participation in the hotel and catering industry, and it established a Training School to train its operatives as well as catering staff for state-owned hotels and guest houses in the shareholder states, in basic housekeeping skills, kitchen technology, and food/beverage operations. The NNDC in partnership with both indigenous and foreign investors also own some companies producing different kinds of soft drinks (beverages) all over the country.

Building & Construction. Shelter, constitutes one of Maslow's physiological needs of man since time immemorial. 19
This is even more profound in a developing nation like Nigeria as a direct result of rapid urbanization. It is also an area that is on the priority list of the Federal Government. As early as 1952, NNDC had built three low-cost housing estates consisting of residential apartments with basic amenities like water and electricity. The apartments are rented out at subsidized prices to individuals and institutions in Kaduna.

Again, as a result of its rationalization exercise, NNDC created a subsidiary company in July 1976 - Home Developments Limited - which primarily emphasizes home ownership by actually building high-cost family dwelling houses for sale to the public and state governments to relieve the latter of their acute staff housing shortage.

In the published Annual Reports & Accounts of NNDC for the year ended March 31, 1978, the Chairman reported:

In the area of Home Ownership Scheme, our new subsidiary, the Home Developments Limited has successfully completed a total of 217 high-cost housing units in Kaduna, Kano, Jos and Minna. Fifty of the fifty-three houses completed in Kaduna were sold to the Kaduna State Government.......and in Kano twenty-five out of fifty were sold to the Kano State Government again for the housing of staff. In Jos, the Plateau State Government bought 37 housing units and ten were sold to the Nigerian Mining Corporation....... On the whole, I am confident that our target of 600 housing units before 1980.......will not only be achieved but exceeded.
As noted earlier in the paper, the Corporate Headquarters itself is a ten-story building owned by NNDC and providing office accommodation on a rental basis to some forty private companies. In November 1980, NNDC completed the construction of yet another six-story office block also in Kaduna for occupation by firms and companies who pay rent in return. This exercise is to continue in each of the shareholder states capital to assist the governments and private entrepreneurs with office accommodation.

As part of its motivational role and relative to this industry, NNDC has a Housing Loan Scheme which provides housing loans equivalent to the sum of four years salary to any employee of the company who satisfies the housing loan regulations. Aside from boosting the morale of the staff, it enables them to build personal houses in their various home-states; a privilege that is uncommon in both public and private organizations in the country.

As a way of encouraging local manufacture of building materials, NNDC has investments in various projects for the manufacture of cement, asbestos, galvanized and corrugated roofing sheets, marble and terrazo tiles, galvanized pipes, windows, doors and pressed metal, to mention just a few.

Textiles. As noted earlier, NNDC established the first textile company in Nigeria in 1957. NNDC also has investments in ten other textile companies in the country. These include Arewa Textiles Limited, Kaduna; WestCoast Weaving Works Limited, Lagos; Kainji Textiles Limited, New Bussa.
In this way, NNDC is supplementing the effort of the Federal Government to discourage current large-scale illegal importation of clothing materials into the country. The idea is to encourage Nigerians to wear locally-manufactured clothings which creates national pride and also help to conserve foreign exchange.

What do all these investments mean and how far have they helped the citizens? First, for those who believe that private ownership is generally superior to public, this study reveals that public enterprises can provide a reasonable balance when they use their capital as a 'revolving fund', periodically selling matured ventures to private investors and using the proceeds - as well as their own profits - for further pioneering work. In this way, the area occupied by economically-viable privately-owned enterprises is steadily extended, while the activities of the public enterprises cease to impose a charge on public funds. There is an accompanying pride that the national economy is being boosted through a joint effort of both private and public organizations. NNDC has provided such balance by initiating and bringing to maturity several industrial and agricultural projects.

Secondly, if "Development" is conceived in terms of quantitative economic growth, NNDC has made some positive impact in the Northern Nigeria. As at August 1981, NNDC has investments in sixteen agricultural companies, nineteen
hotels, thirteen textile companies and thirty-six other manufacturing concerns located throughout the country. This increases the economic institutions that are expected to stimulate economic development in the country.

However, "Development" also mean qualitative growth or improved well-being of the people as a result of higher standard of living. While acknowledging NNDC effort in this area, its output or goods and services have not reached every Nigerian. This can be justified, first, because the orientation of the owner-governments is no longer monolithic, but diversified and complex; and second, because nearly all the owner-governments now have state investment corporations which carry out economic and social objectives as defined by their respective governments. The scope of impact of these state agencies is to be broad in order that they can be more responsive to the needs of the people.

On the other hand, NNDC, since incorporation as a limited liability company, operates purely as a business enterprise in the private sector with greater emphasis on profit-motivating investments and less concern for social responsibility. This is why 'profitability' is its main goal and will be used as a primary criterion for judging its success rather than the number of people that are being served by its activities.

Finally, the author believes that one of the major tasks of "Development" is to improve relationships amongst
persons and organizations and to understand their differing roles and how these fit into the total pattern of development planning. NNDC interaction with the numerous companies in which it has investments has been very useful in this regard.

Growth

In terms of physical growth, it is evident from Appendix III to this study that NNDC has grown from a departmentally-managed Board in 1949 into a family of 12 subsidiary companies, 101 associate companies and 20 portfolio investments.

The period up to 1975 witnessed a modest growth attributable to the organization's effort at providing basic public goods and services that were not strictly revenue-earning in nature. The period also witnessed very low general development in the country as a result of a civil war that occurred from January 1966 to January 1970. The period 1971 to 1975 was devoted to national reconstruction and rehabilitation due to the aftermath of the civil disturbances. As a testimony of this impediment, the Chairman of NNDC Board reported in his 1968/69 Statement:

it will be naive to pretend that the most unfortunate civil war had no effect on development in this part of the country (Northern Nigeria), despite the fact that the usual area of our operation does not extend to the war zone proper. Development and progress throughout Nigeria have been retarded by the war, and, but for the diversified nature of our economy, its repercussions could have been more serious.
However, beginning with the 1976/77 financial year, and the opportunities brought about by the Indigenization Policy, the NNDC recorded substantial growth. Annual growth of net investments was 28%, 55%, 21% and 15% in 1978, 1979, 1980, and 1981 respectively. NNDC investment position (in Naira) increased by 176% during the five year period beginning April 1, 1977 to March 31, 1981, that is, an average annual growth of 35%. Return on equity has risen over the years from 7.9% in 1977 to 24.2% in 1980.\textsuperscript{22}

The first Dividend of 7\textperthousand \% (₦750,000) was paid for the year ended March 31, 1973. The rate has occasionally been raised to 10\% (₦1 million) as in 1977 and 1978. The Management of NNDC is optimistic that a dividend rate of 7\textperthousand \% is likely to be maintained in the future.\textsuperscript{23}

Profitability

One factor that catches the attention of business management specialists in assessing organizational success is profitability, which literally involves the figurative quantification of an organization's operations, to determine any returns on investments. It is pertinent at this juncture to briefly re-emphasize what could be misunderstood as a duality of function of NNDC: attaining developmental goals and objectives on the one hand, and making profit on the other. In the first place, the aim of any government investments in the economy is to provide the right business atmosphere in a productive sector upon which the
private or indigenous capital could subsequently operate. And in order to induce private capital to pick up from where government involvement might stop, there is need to show the viability of the projects embarked upon through profit-making. NNDC investments are essentially government investments because of its ownership. The company naturally strive to ensure that it has enough business, make enough profit to sustain itself, pay dividends and still have funds for re-financing. Albeit, NNDC does not lose its identity as a development agent, but endeavors to fulfill its primary obligation of contributing to the economic advancement of its owner-governments in particular and the country in general.

Having said thus, the published profit and loss accounts of NNDC for the ten-year period, 1972 to 1981 were examined. The accounts show that the company recorded pre-tax profits of:

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>995,566</td>
</tr>
<tr>
<td>1973</td>
<td>1,171,460</td>
</tr>
<tr>
<td>1974</td>
<td>1,142,071</td>
</tr>
<tr>
<td>1975</td>
<td>1,761,103</td>
</tr>
<tr>
<td>1976</td>
<td>3,817,737</td>
</tr>
<tr>
<td>1977</td>
<td>4,047,355</td>
</tr>
<tr>
<td>1978</td>
<td>4,774,925</td>
</tr>
<tr>
<td>1979</td>
<td>3,203,212</td>
</tr>
<tr>
<td>1980</td>
<td>2,971,230</td>
</tr>
<tr>
<td>1981</td>
<td>2,810,359 24</td>
</tr>
</tbody>
</table>

By the yardstick of profitability, the accounts indicate that NNDC has proved to be a success.
NNDC Impact on the Environment

By NNDC impact, the author refers to NNDC philanthropic services or contributions to the environment in which it operates. Three of these stand out distinctly and would be briefly examined.

In the Northern states, it is not so much the lack of capital that hinders indigenous businessmen to take advantage of opportunities offered by the nation's economy, but the lack of organization and management know-how. In realization of this fact, and following the promulgation of the Nigerian Enterprises Promotion Decree 1972 (an outcome of the Indigenization Policy mentioned earlier), the NNDC produced an educative and informative pamphlet titled "Guidelines For Meaningful Take-Over". This was to enlighten the citizens of procedures for take-over of on-going businesses as well as procedures for establishing new ventures. It was a device of immense assistance in the implementation of the Policy resulting in an active promotion of public entrepreneurial awareness.

Between 1975 to 1979, NNDC offered managerial assistance to various governments in the country. As a result of political changes and reorganization at both state and Federal government levels during the period, it was necessary to have an efficient and experienced manpower for top government positions. NNDC then released, on request, most of its senior employees to serve and occupy those
positions. With regard to this assistance, the Chairman of NNDC reported in his 1975/76 Annual Statement that:

the year under review witnessed the most serious brain-drain the company has ever suffered by the departure of our top experienced managers to join Federal and state government services. Although it was a great blow to NNDC but it was also a source of pride to us that we have been a reservoir of highly competent and dedicated people.25

Most people in developing countries see education almost as a panacea to the evils of economic and social backwardness. Hence, the tendency for many governments to invest heavily in education. In the case of Nigeria with a population of nearly 100 million, and dependent on a single source of revenue (oil), it is not possible for government to assist most prospective students by way of scholarships or loans. The few awards that are made annually are reserved for priority disciplines like Medicine or Engineering.

To help in this area and as part of its policy to stimulate industrial development and encourage advanced managerial and technical skills throughout the country, NNDC made a donation of ₦100,000 to the Ahmadu Bello University Endowment Fund launched in Zaria in 1979. Presenting the check then on behalf of the Board and Management of NNDC, its Director of Administration stated:

the NNDC is making the donation as part of its contribution to the development of high level manpower in order to meet the needs of the rapidly expanding economy.26
NNDC, A Successful Public Enterprise

An assessment of the success or failure of any organization in Nigeria will be more objective if taken within the whole environmental context, for, there are many factors outside the control of any Management or even government that impinge on the success of public or private enterprises. This is not peculiar to Nigeria alone, but is worldwide.

Firstly, any business or public enterprise for that matter, cannot operate outside the confines of the guideline policies of the national government in its area of operation. It can be seen from this study that there have been serious political changes in Nigeria in the last twenty years that directly affect socio-economic developmental efforts. For example, from 1960 to date, the country has had six changes in government, three of which were accompanied by bloodshed.

Secondly, natural disasters have taken their toll in the country. The year 1973 in particular was one of great anxiety due to drought which affected Northern Nigeria resulting in very poor harvest of both food and cash crops.

Thirdly, the inflationary trends, monetary crises, transportation bottlenecks, government regulations, Nigerians insatiable appetite for imported goods to the neglect of locally manufactured ones, and even occasional fuel shortage in spite of the fact that the country is a major world crude oil producer, are all aspects of the environment within which the NNDC operates.
For NNDC to have survived amid these unpleasant circumstances is indeed a measure of success in itself. This is even more appreciated having regard to the fact that NNDC had counterparts in Eastern and Western Nigeria: the Eastern Regional Production Development Board, (later the Eastern Regional Development Corporation and much later until its dissolution, the Eastern Nigeria Development Corporation) and the Western Regional Production Development Board, (later called the Western Region Development Corporation, the Western Nigeria Development Corporation). These organizations were set up by the then three Regional Governments primarily for the purpose of carrying out development projects in their respective areas. Their funds came from the surpluses of the various regional produce marketing boards and grants from government, and their Boards were closely under the control of the respective regional governments.

While it is not intended to study in any greater detail the causes for the disappearance of the Eastern and Western corporations, it is believed that these agencies tried to do too much, and they also did not spend their monies cautiously as did the NNDC. It makes sense therefore to say that the continued existence of NNDC in contrast to the disappearance of its two sister corporations generate a feel of success.

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In the absence of a public opinion poll to determine the citizens perception of NNDC activities, a few newspaper reports are available to acknowledge the success of the organization. For one thing, it is very common to hear some derogatory nick-names like "Never Expect Power Always" which stands for a federally-owned public corporation "National Electric Power Authority"; or "Palaver & Trouble" which also stand for another federal government agency "Posts & Telecommunications". The citizens have given these nick-names as a sign of the extent to which they are disatisfied with the services provided by these public enterprises. To the contrary, there are newspaper reports about NNDC with such headlines as "NNDC, an efficient public firm"; "NNDC to help textile industries in Nigeria" etc.  

If the Press is recognised as the "Fourth Estate of the Realm", with sacred responsibility to be the citizens voice, then these reports suggest that NNDC is being perceived as successful by some members of the public.

The shareholder state governments are themselves proud of the achievements of NNDC and what impact the company has had in each of the state by way of assisting state agencies through free consultancy services, or directly providing goods and services to governments at subsidized costs.
Reasons for Success

After a careful analysis of the operations of the NNDC, and the official views expressed by its top management, four factors emerge as important causes for the success of the organization. These are: autonomy; good leadership; dedicated employees and effective planning.

Autonomy. An essential ingredient of business management is freedom of enterprise which gives room for initiative and discretion. This becomes even more necessary in an enterprise whose capital is publicly owned. Hence, one factor which underscores NNDC's success has been lack of political interference in its operations by owner-governments. As a proof of this freedom, the current Chairman of the company, Dr. Ibrahim Tahir, stated:

May I now with your permission take the unorthodox step of saying a few words to the governments of our shareholder states...... I want to place on public record, the appreciation of the Board of the trust and confidence reposed in it by our shareholder administrations, evident from the fact that they have left NNDC alone to make its own way, and to operate according to the Group's own judgement of the best way to proceed...... It is a noteworthy feat that they have neither interfered directly nor manipulated the company's activities for pure partisan or selfish political goals.29

These statements are significant in the sense that they might help to disabuse those who visualize the NNDC as a mysterious Octopus - a giant one at that - which has got its numerous tentacles into many hidden corners. The mere composition of the NNDC investors, made up of ten
different state governments, also makes it impossible for any one state to claim a monopoly of influence over the company.

Of course, this is not to say that NNDC is devoid of some useful assistance from its owner-governments. In fact, a former Group Managing Director and Chief Executive of NNDC, Alhaji H. R. Zayyad, succinctly confirmed:

...... as a wholly owned public sector institution NNDC enjoys certain privileges by virtue of its parentage, and no opportunity is lost to exploit this advantage for public good. This advantage is access to information on government plans. Its investors are all part of the decision-making machinery of the shareholder states and are in a position to know what is being planned for the future. I must hasten to point out that this is not an advantage peculiar to NNDC but applies generally to all parastatals. It is up to the individual enterprise managers to make the best use of it. We do.

Good Leadership. NNDC enjoys, since incorporation, the services of well-qualified Management and Board members under the direction of experienced Chairmen at different times. The background of these individuals in various business management disciplines has been a major factor in the successful policy direction of the company's operations. In the words of Alhaji Abdu Abdurrahim, NNDC Group Managing Director and Chief Executive, "the high level calibre of its management staff and their commitment to the ideals of the organization is a major factor that has contributed to the success of the company."
Dedicated Employees. It is a truism that the success of an organization is a function of its employees. What has emerged from the numerous organization and management theories beginning with the 'Father of Scientific Management', Frederick W. Taylor, through the human relations school of organizing and including systems theory etc. have been various attempts to understand organizations and improve management. Specifically, the means of appealing to workers so as to make them produce more have been given prominence in all of these efforts. It makes sense then, to say that when a management system is designed to encourage positive behavior of workers, the result often leads to improved performance. Again, the Chief Executive of NNDC confirmed that "the company attaches a great importance to the welfare of, and social needs of its employees."³²

As a practical demonstration of this attention to workers needs, there are certain incentives provided not so much to manipulate them to put up better performance, but as a way of satisfying their various individual needs. The incentives include the sale of food products like rice, sugar, milk, grains and even textile materials (all NNDC products) to employees at very cheap prices. It also include the offer of luncheon vouchers to all employees which entitles them to eat lunch every day of the 5-day
working week at any restaurant on company's expense. In addition, in 1974, the Board of NNDC approved Management proposal to set aside 5% of its annual profits for staff manpower development. Since then, employees at different levels of the hierarchy and in various disciplines have been trained locally and overseas to widen their knowledge and improve their skills not only as long as they remain in NNDC but for life. This is another way of supplementing the efforts of the Federal/state governments in the area of education.

Of course, the selection procedures and performance appraisal systems of the company is designed in such a way as not to tolerate the laxity commonly found in other public enterprises in the country. Relative to this, Alhaji H. R. Zayyad, former NNDC Chief Executive noted:

NNDC in the past as now, has always been lucky to have in its employ men and women who are dedicated to service and welfare of society. Our selection process ensures that only candidates with such qualities are recruited and where misjudgement occurs the system of probation throws out such bad eggs before they pollute the system.33

**Effective Planning.** Living organisms must always adapt themselves to the changes in their environment. Likewise, it has been noted that a public enterprise ought to adapt its policies and modes of operation to suit any economic, social or political changes in the area in which
it operates. The recognition of this necessity has brought about the reorganization of NNDC at different stages of its life, as noted in the study. The three phases described under the Post-Incorporation period were exercises carried out with the primary motive of setting out appropriate strategies for the company. They also served as a system of periodic self-appraisal in response to changing environment, and with emphasis on the relevance of corporate objectives to the needs of the society.

NNDC has been able to effectively plan its activities and operations to meet the challenges of the environment, without necessarily losing sight of its overall aim. There is also the related issue of investment discipline. Objectivity, rather than sentiment has always guided NNDC investment policy. These cannot be said of most other public enterprises in Nigeria whose goals are sometimes vague and intangible, and Management is unable to effectively plan for goal achievement in such circumstances.
Chapter 5

RECOMMENDATIONS

The underlying concern of this study is how to improve public enterprises in Nigeria and make them more successful ventures. The environmental and other constraints impinging on their efforts are recognised, but the author feels there is still a lot of room for improvement. The President of the Federal Republic of Nigeria also shares this concern as revealed in his 1981 Budget Speech to the National Assembly on November 24, 1980:

...... there is one vital area which we must not allow to escape observation. This is the issue of the efficiency of parastatals and government-owned companies. At the beginning of 1980, the book value of Federal Government investments in parastatals and government wholly-owned companies stood at #8.8 billion. It is only fair and reasonable for the government to expect a return of at least 10 per cent if the organizations are efficiently and prudently managed. To encourage efficient management, the government has decided to change the structure of funding the investments of parastatals in a way that will induce them to take the first step towards commercialization through cost recovery as well as setting efficiency tests for the management of the organizations. This Administration certainly expects efficient management...... and we will go to any length to achieve it. Parastatals will henceforth cease to behave or regard themselves as parasites on government revenue. 34

This study of the NNDC is a guide to suggest ways of accomplishing such efficiency. It is pertinent however, to mention that the author recognises that while the operation
of a wide variety of public enterprises is amenable to the application of basic management tools and techniques, the enterprises cannot properly be considered as a homogeneous group. Airline operations, for example, have problems which differ from those of NNDC or even Government General Hospitals. Notwithstanding this fact, there are certain concepts that have come out of the analysis of NNDC that could be usefully applied to public enterprises in Nigeria.

Perhaps the most important hurdle to overcome has to do with the variety of government-owned corporations and companies all over the country. As a result, there are some overlapping activities which not only leads to duplication of efforts, but also wastes resources and can sometimes create inter-organizational conflict. There is need for a well-defined government policy that will specify clear and comprehensive aims and objectives for each enterprise, with corresponding organization and management structure, sources of funding and general mode of operation. It is worth noting that this critical point was a major observation in the Udoji Report mentioned earlier in the paper.

Government has accordingly responded to this important need as evidenced by a newspaper article titled "New step taken to enhance the efficiency of parastatals". Under the program aimed at making statutory corporations and state-owned companies self-reliant and efficient, the
Federal Government has classified them into two categories: "economic" and "social". According to the report, enterprises under the "economic" category include Nigeria Airways Corporation, Nigeria Ports Authority, Nigeria Railway Corporation, National Electric Power Authority.

There is no further information available regarding this classification but the author wishes to address a few related issues. First, what are the criteria government should use to distinguish between "economic" and "social" enterprises? The author believes that profit-making must have been the major criterion for designating the Nigeria Airways etc. under the "economic" category. With increased traffic in men and materials as a result of the growing economy, there is a corresponding increase in demand for air, rail and water transportation. The implementation of the current National Development Plan in particular requires the movement of construction materials in time to places where they are needed. Such increased demand from importers, exporters, and consumers alike provide a lucrative business for these transport organizations. With the current 'turn-around' strategy, they ought to be able to operate profitably.

The nature of competition is another distinguishing criterion for the "economic" category of enterprises. The Nigeria Ports Authority, for example, solely manages and
operates the country's six sea ports (Lagos, Calabar, Port Harcourt, Warri, Burutu, and Koko). The Nigeria Railway Corporation has a monopoly for rail services, and the Nigeria Airways likewise has a monopoly for domestic air services as well as operates scheduled international flights. The National Electric Power Authority is the sole enterprise responsible for generating, transmitting and distributing electricity to all parts of the country. With this monopoly and the new opportunity to operate as business ventures, these enterprises can now swim or sink on the basis of their performance.

The second issue deals with what motivated the Federal Government to categorize the aforementioned infrastructural organizations under the "economic" category. The Nigeria Airways was established in 1959, the Ports Authority in 1955, and the Nigeria Railway Corporation as a government department in 1898 (it became a statutory corporation in 1955). These corporations have all along been expected to operate as commercial concerns but with the Federal Government retaining powers over broad policies. Unfortunately, they are generally viewed as "problem-children" of the Federal Government. In the progress report on the Third National Development Plan 1975-80, it was revealed that these enterprises are characterized by poor coordination, misinvestments, operational deficits, lack of maintenance, inadequate utilization of human and natural resources,
poor management and operation control. For instance, table 3 shows the operational results for the Nigeria Railway Corporation for ten consecutive financial years beginning 1964/65:

Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Deficit (Million Naira)</th>
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</thead>
<tbody>
<tr>
<td>1964/65</td>
<td>(2.8)</td>
</tr>
<tr>
<td>1965/66</td>
<td>(3.9)</td>
</tr>
<tr>
<td>1966/67</td>
<td>(4.0)</td>
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<tr>
<td>1967/68</td>
<td>(1.4)</td>
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<tr>
<td>1968/69</td>
<td>(1.7)</td>
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<tr>
<td>1969/70</td>
<td>(5.4)</td>
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<tr>
<td>1971/72</td>
<td>(22.2)</td>
</tr>
<tr>
<td>1972/73</td>
<td>(21.8)</td>
</tr>
<tr>
<td>1973/74</td>
<td>(23.1)</td>
</tr>
</tbody>
</table>


This deteriorating financial position is typical of most public enterprises in the country to the extent that they have become liabilities to the governments that have set them up. It is hoped that their new status, coupled
with other forthcoming recommendations in this paper, will enable them to improve their performance.

A third related issue is where NNDC fits in these two categories: "economic" or "social"? With profitability as its main goal, NNDC can be categorized under "economic" enterprises. And, it is the more reason why its new counterparts stand to gain from its experiences. The primary criterion for judging NNDC success (that is, profitability) should apply to all "economic" enterprises. They should not be held accountable to perform social functions.

The author believes that enterprises under "social" category will include those providing radio and television broadcasting, road transport, water supply, internal posts and telecommunications. The reader will recall that one of the motives for the establishment of public enterprises is the inability or unwillingness of private investors to launch certain ventures. This can either be due to the technological and other risks involved which is beyond their entrepreneurial capacity, or it may be that such enterprises have only marginal profits. Radio and television broadcasting etc. represent such ventures and are therefore unattractive to private businessmen.

Another criterion for distinguishing these enterprises as "social" will be that government has the legal responsibility for providing certain social services to the public, either free of charge or for a minimum fee. Road networks and water supply represent such public utilities that
government is obligated to provide for its citizens.

While "economic" enterprises are judged successful by the profits they make, a "social" enterprise by contrast, must be judged by its effectiveness in providing required services as well as its ability to be cost-efficient. Take road transportation for instance. One of the reasons it is set apart from other transport systems under "economic" category is because of the extent of its use. The greatest demands are made on the roads by the citizens. But, how adequately is Nigeria served with good road networks? Out of the total length of roads, how many are properly paved and covered with bituminous? Do the roads have adequate drainage systems and regular maintenance? How many accidents have occurred primarily as a result of bad roads with potholes especially during the rainy season? How effectively do the police agencies enforce speed limits? And finally, how reliable are the states transport corporations in serving the public? These, and other related standards will help to objectively judge the performance of "social" enterprises. There are issues of public policy involved and it is appropriate that government continues to have a say in such enterprises.

Inspite of the inexhaustiveness of the newspaper report, it suffices to say that the categorization is useful as it would make for clarity of purpose for each enterprise.
The exercise is also very timely as it coincides with this study and has enabled the author to have a more valid base of making relevant recommendations. Furthermore, the exercise provides an opportunity for future research to assess and evaluate the consequences of Government latest initiative to make its parastatals efficient.

The rest of this chapter gives specific recommendations arising out of the study of NNDC.

**Autonomy & Control**

One of the common problems of public enterprises in Nigeria has been how to strike a balance between management autonomy and governmental control. As was pointed out, the events which led up to the first Commission of Inquiry into the activities of NNDC was a direct consequence of political interference. At that time, some high-ranking politicians seized the opportunity of their positions to impose their will on the organization in terms of informal hiring procedures, promotion favoritism and loan grants to their closer relatives who were not deserving of such. It becomes even worse when politicians dictate operational guidelines to the management of any public enterprise without allowing the latter to respond appropriately to situations in their organizations. In some extreme cases, some politicians will not hesitate to recommend the firing of individual top management who fails to conform to their wishes. In the same tone, corporate executives with more concern for their
integrity rather than some employment opportunities, have resigned their appointments when faced with the choice of doing what they think is right for their organizations, or taken an order they perceive as detrimental to the progress of such organizations. In the final analysis, it is the enterprise that suffers.

For as long as these discrepancies continue to surface, they would certainly jeopardize the effectiveness of public enterprises. They should be regarded as 'clogs in the wheel of progress' and should be accordingly eliminated.

It is clear that NNDC could not lay claim to being successful during those times that it had variety of control from different persons and segments of government. Infact, the events of 1963 to 1965 showed a cut-throat competition among the dormant political parties within the Northern Region and the country as a whole. Regionalism and tribalism became the order of the day and almost all the public institutions were politicized.

Little wonder then, that the major recommendation of the Military Commission of Inquiry into NNDC affairs, was that if the organization is to become a sound instrument of government investment, it must be insulated from politics by vesting the powers of executive decisions into Management, and appointing a non-partisan part-time Chairman. The autonomy enjoyed thereafter, and confirmed by its members is officially given as one of the ingredients that has contributed to the success of NNDC.
If other public enterprises are to be efficient, there should be less government control in their day-to-day operations, and greater freedom for Management. The new "economic" enterprises for example, should be autonomous organizations, free from the strain and stress of political influence and interruption. The independence, administrative freedom and flexibility associated with private enterprise managerial methods will enable the enterprises to operate both profitably and efficiently. They should therefore be incorporated companies, obtaining and investing funds as their managements deem fit. They should engage in purely commercial activities so that their performance can be thus assessed from time to time. In this way, management will realize that the continued existence of their organizations depends on how effectively they can compete within the private market. They will then strive, like NNDC, to do well and to be self-supporting in the long run.

The necessity for long-term development schemes is partly the reason for "social" public enterprises. As pointed out in the paper, Federal and state governments are ultimately responsible for making life more comfortable for the citizens. Because of government involvement, the operations of "social" enterprises will normally follow the pattern in the civil service administration. It is advisable however, to de-emphasize bureaucratization in order that the enterprises could deliver goods and services...
One of the evils of bureaucracy is said to be strict recognition of authority and literal adherence to official rules. While not unmindful of the advantages accruing from extensive use of formal rules and the hierarchical structure of authority and control, an over-exaggeration of these characteristics to the point where primary concern with conformity interferes with the achievement of purpose is certainly not desirable. Otherwise, such rules become transformed into absolutes and are no longer conceived as relative to a given set of purpose.

This is not to suggest that employees and particularly management of public enterprises should be let loose to do whatever they like. To reduce conflict and for proper coordination, there is need for certain control mechanisms. The author believes, however, that the power to influence others should not be a function of the authority or rules imposed, but rather, a function of the appropriate selection of the means of influence which the particular circumstances require. If public enterprises are to properly perform their duties, they should not endorse the totality of the civil service practices.

With the type of autonomy advocated, government agencies will seem to possess a favored status vis-a-vis their main-line Ministries. Generally, there are two models of thought regarding this issue: one posits that nothing can be done efficiently through the Ministries, hence the necessity to set up parastatals and corporations, provide
them with good quality and quantity inputs (such as human and material resources, finance, efficient administrative structure), and equip them adequately for better performance. More often than not, this results in circumventing the effort at improving the Ministries. The other model seeks to make Ministries more efficient, while at the same time creating public agencies to carry out certain functions. Rather than allow the Ministries to fall further and further behind, this view calls for a coordinated effort to transform them and other public enterprises into efficient arms of government.

There is no denying the fact that government Ministries in Nigeria, and bureaucracies generally around the world, are not very efficient. It is also imperative that "economic" public enterprises in particular should have some lee-way in their operations (which in any case is non-routine) if they are to be results-oriented. To do this will mean to free them from the usual overbearing interference and control by Ministerial departments under the civil service.

The situation of the "social" enterprises on the other hand, merits the second approach whereby there is proper coordination between Ministries and parastatals falling under this category. Again, take road transportation for example. The different government agencies responsible for it include Federal Ministry of Transport which initiates and executes overall transportation policy in Nigeria.
At the state levels, there are state Ministries of Works which carry out maintenance services for all federal roads on behalf of the Federal Transport Ministry. States and local government police agencies take charge of highway patrol systems. And, there are many state-owned transport corporations with passenger vehicles, which provide intra/inter city and state road transportation to the public. It is obvious that neither of these agencies can be neglected or de-emphasized if government policy on road transportation is to be properly implemented.

The issue of autonomy is therefore situational: there is justification for "economic" enterprises to be autonomous; there is however the need to integrate the activities of "social" enterprises with their main-line Ministries in order to achieve a total reform. The limits of autonomy in this latter category will vary as between a government department or board (e.g. the Posts & Telecommunications Department or the Kaduna State Water Board) and a statutory corporation (e.g. the Kaduna State Housing Corporation). In the departments or Boards, no autonomy should be enjoyed outside that which is conferred by civil service regulations and applicable to similar agencies. In statutory corporations, there is need for that amount of autonomy that will make them conform to the provisions in their governing decrees. The overriding justification for government
direction in "social" enterprises is to ensure their consistency with public policy.

It is only fair at this point to acknowledge that the Nigerian government has been doing its best over the years, to improve public management as evidenced by its many Public Service Review Commissions. The emphasis has been on how to improve each arm of government - civil service, public enterprises, local governments, judiciary, police, prisons etc. The ultimate goal is to secure adequate development and optimum utilization of manpower, and to increase the efficiency and effectiveness of the public services in meeting the challenge of a development-oriented society. This is a long-term continuous process, and it will be in the near future before total success is recorded. It makes sense that during the interregnum, "economic" enterprises are established to solve some specialized needs of the society not susceptible to management within a single operational structure as the Ministries. If they are given more autonomy to do this, it is because of the demand of the situation. Their existence outside the civil service must be seen as an alternative means of achieving a common end - rapid and comprehensive national development, rather than a deliberate attempt to expend all energies on them to the detriment of government Ministries.

When management and employees are given the necessary freedom to operate, they in turn, should take pride in the
opportunity to serve rather than feeling too superior or controlling their clients. Oftentimes, the behavior of some public officials in the country portrays an actual or apparent domineering stance which people find offensive. A lot of tension is generated when the citizens perceive that there is a discrepancy between ideology and fact: that is, when government employees who are held to be "servants of the people" become superordinate. Examples, they say, are better than precepts. Management of public enterprises ought to be above board. Their attitude to work will be defined as acceptable norms by their subordinates, and the only way they can enforce discipline is to be truly committed to the goals of their organizations, as is the case in NNDC.

**Employee Motivation and Satisfaction**

As already noted, most of the inadequacies of public enterprises in Nigeria have to do with the people in the system. Rather than constrain their workers further, enterprise managers should institute appropriate compensation and employee benefits. In the NNDC, the salaries are not only more generous than in most other organizations, but there are benefits like end-of-year bonuses, insurance coverage for any mishap on duty, and medical facilities for employees and their immediate families.

The hours of work in "economic" public enterprises are expected to be slightly longer than in the "social"
category. More importantly is the demand to maximally utilize those hours unlike in Ministries or Departments where individuals go out at random to pursue personal business at the expense of their employers. If employees in "economic" concerns are expected to be more productive, it is only fair that they are paid higher wages. The author ascertained that in the NNDC, not only do top management arrive punctually to office, but are often the last to leave at the end of the day. Infact, attendance is taken occasionally just to ensure that the 40-hour working week of the company is complied with by all employees. The compensation for this compliance reflects itself in the high salaries and benefits the employees receive.

Commercial enterprises exist to compete and make profit for their shareholders. The necessary disciplines of working in a commercial market, including attractive remuneration to secure the services of highly qualified and efficient personnel should apply to the new "economic" organizations. Some individuals are actually challenged by the heavy amount of work in such places; they are equally attracted by the accompanying benefits which are not available in the civil service. Such individuals make a deliberate choice to work in the 'private sector'. Their salaries, pension schemes and other company benefits should justify their choice.

In contrast, employees in "social" enterprises are covered by the job evaluation system, grading structure
and salary plans similar to those obtained in the civil service. This is to ensure mobility across the agencies. A major concern of Nigerian workers is continuity in employment. When public employees meet the target of ten years continuous service, they qualify for voluntary withdrawal with gratuity payment; or fifteen years with retirement, gratuity and pension rights. The NNDC policy regarding transfer or secondment is such that employees can move from one of its subsidiaries to the other, and even to Federal or state government employment without any loss in service years. Likewise, the new "economic" and "social" enterprises should emulate this gesture.

**Manpower Development.** The Udoji Report indicated that government investigation and enquiries on public enterprises show that many of them do not have any formal training programs for their workers. Yet, this need cannot be over-emphasized. The commitment of NNDC in this regard is already noted. Its efficiency no doubt has a direct bearing on the quality of those highly trained workers while the company became a reservoir for competent managers from which Federal and state governments have borrowed. Investment in manpower development is always justified as the skills and abilities acquired accrue to the individual trainee and the entire nation.

The newly categorized organizations ought to provide training opportunities for their employees so that they can

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become more capable of performing their duties. The conditions attached to such sponsorship will be determined by Management but it is advisable to keep prospective trainees from bearing any excessive financial burden in terms of course expenses. In almost all cases, NNDC endeavors to give full sponsorship to its staff, including payment of tuition, board, room fees, full salary throughout the training duration, and even warm clothing allowances when it is an overseas course. This eliminate the additional stress commonly found among privately or partially-sponsored students. Such financial comfort also make trainees feel morally obligated to return to the sponsoring organization to utilize their acquired knowledge, rather than take up appointments elsewhere.

How to ensure dedication, honesty, and commitment

Without mincing words, the spoils system and political patronage legacy are still very much alive in the country. Instances of the perversion of the merit system for private, administrative and especially partisan ends abound. In certain cases, applications are invited for a position that a candidate has already been pre-selected, while in other, rapid promotion is granted to a favored employee. There is inadequate motivation for greater performance and commitment because there are too few rewards for excellence and too few penalties for unsatisfactory works. Reforms aimed at arresting this 'fudging of the system' have culminated in civil service examinations, promotion examinations, and
various performance appraisal systems. Unfortunately, emploment abuses have remained one of the worst-kept, yet least written about secrets in government.

The Constitution of the Federal Republic of Nigeria has compounded the issue by requiring that "in exercising his powers of appointment...... the President shall have regard to the federal character of Nigeria and the need to promote national unity" (Article 157(5)). Other political appointees like state governors, ministers/commissioners, permanent secretaries, and agency heads are to have regard to the diversity and composition of the peoples in their recruitment and selection policies (Articles 135(3), 173(2), 188(4), 203(2b)).

In practice, this situation is inconsistent with the values of the merit system. It is also a difficult, if not impossible task, to have a representation of each of the 250 (or more) ethnic groups in each federal and state government agency. The Constitution is however supreme and its provisions have a binding force on all authorities and persons throughout the Republic. It is a situation that calls for sacrifices here and there, and personnel practioners must use their discretion to minimize the perversion of merit as much as legally permissible.

In order to ensure dedication, honesty, and commitment, the "economic" and "social" public enterprises must institutionalize some of the ideas of the human
As far as possible, vacancies should be advertised and the selection procedures should include extended oral interviews and written tests designed to discover aptitudes and traits potential. The goal is to match the person with the position and ensure that the individual possess the specified skills and ability required for the effective performance of the job. It also gives the opportunity to participate in a healthy competition so that the best choice can be made.

After job placement, there should be some sort of target setting or a variant of Management By Objectives, whereby management/employee clarify the broad requirements of a job and establish specific targets to be accomplished within a specified time. The management process during the period should be that of guidance with reduced influence. The idea is that workers will exercise self-direction and self-control in the achievement of organizational objectives to which they are committed. Of course, they become committed when they are part of defining the job rather than have it thrust on them as is the case with formal position description.

Rather than annual confidential reports which is a typical way of appraisal used by most government employers in the country, the author would like to recommend that employees are periodically evaluated on the basis of their resources theorists like Douglas McGregor.
predetermined assignments. It is possible for a subordinate to learn a great deal from a mistake provided it is analyzed when all the evidence is immediately at hand. Waiting for the next twelve months when a supervisor secretly fill out some forms regarding his subordinate's performance can be counterproductive. Performance appraisal system should be an open, continuous process with inputs from both supervisors and subordinates, and without the former taking the position of a judge.

Effective organizational communication is another way to ensure employee dedication. Management of public enterprises will do well to maintain a two-way communication based on mutual respect and desire to achieve a common goal. The purpose of communication is to satify workers' needs, to provide for lateral interaction among peers in work groups, and to facilitate the participation of members in organizational decision-making. There should be a high degree of receiver orientation on the part of management, which in turn creates openness, trust and commitment.

It is equally important to ensure that rules are applied equally to all employees, and that the standards management expects from workers do not go up and down according to the face or sex of the individual concerned. Management should not tolerate indiscipline nor close its eyes to lapses.
The "economic" enterprises will be unable to beg these issues as they will be competing in the private sector which emphasizes similar practices. The "social" enterprises might have to be more flexible from time to time to accommodate constitutional provisions. In both cases, the enterprises would have to develop dynamic motivating personnel policies if they are to succeed. The foregoing, including attractive employee remunerations, and such other things that are conducive to the operations of each category of enterprise, represent the personnel policies that can bring about dedication, honesty and commitment.

Nigeria is developing at a fast pace, and with it, there is rapid industrial expansion and availability of more employment opportunities in the foreseeable future. It will be necessary to pay attention to the sensitivities of public employees or else they will quit, and opt for private sector employment. It is the responsibility of management of "economic" and "social" enterprises to create an environment where managerial discretion is channelled towards decision-making in support of organizational mission rather than short-term political gains.

Sources of Funding

The most important concern of the Federal/state governments in the ongoing categorization exercise should be how to acquire steady and generous capital for the
conduct of the enterprises. The source has to be free from political vicissitudes, otherwise the enterprises cannot be reasonably expected to work out their annual budgets with any degree of accuracy. The author is, of course, referring to Government reliance on 'oil' as its major source of revenue. The extent to which public enterprises are funded will continue to depend on this source, which in turn, will depend on the trend of world prices of crude oil. If current events in this regard are anything to go by, there is not much hope for oil prosperity as was the case in the country in the mid-1970s. This is not to say that the author is unmindful of Government's ongoing effort to diversify the economy. The suggestion however, is that, the main source by which capital funds are derived for public enterprises ought to be supplemented by loans from specialized institutions such as Commonwealth Development Corporation and the World Bank. The "economic" enterprises in particular should be allowed to go to any reasonable length to seek for various means of financing their programs.

In the analysis of NNDC, it was discovered that the organization has found it difficult to obtain funds from its shareholders. The inability of the shareholders to come to NNDC's assistance has not been due to lack of appreciation of its services, but rather to financial stringency and the numerous socio-economic commitments of the shareholder states. Even though NNDC continues to
expect some concessionary funds from these states, the company has embraced the idea of commercial borrowing, either in the form of medium or long-term finance.

The source of funding is a subject which every organization will have to systematically incorporate in their overall business strategy. The "economic" enterprises can improve their funding sources by embarking on projects which appeal to foreign capital injection. However, they will be competing for the resources of foreign investors who also have a choice of patronizing developed countries, where the necessary "external economies" are already present, where the productivity of labor is greater, and where immensely higher per capita national incomes provide ready-made demand for a variety of goods and services. In order to win such competition, "economic" enterprises must learn the art of efficient commercial management. In addition, the types and quality of goods they produce should be such that will redirect the existing demand for imported goods towards locally-manufactured ones. Such an 'import-substitution' scheme not only represents the beginning of economic diversification but helps extensively to conserve foreign exchange.

In the long run, the "economic" enterprises must be financially self-supporting and not require any form of direct subsidy from public funds. They ought to be able to
fulfill their ultimate role of contributing to the general revenue of national/state governments.

A very closely related issue is how to allocate the profits to be derived from "economic" corporations.

It was noted that NNDC was formed basically to stimulate and finance industrial infrastructural development in the Northern states. There is no declared intention on the part of its owner-governments, for the company to refund dollar for dollar, its issued capital of ₦50 million (approx. $75 million). Articles 97 through 100 of the Memorandum and Articles of Association of NNDC did however specify how its profits should be allocated.

The Board of Directors is to determine annually what percentage should be paid to shareholders as dividends. The sum is apportioned and paid proportionately to the amounts of shares held by each owner-state. It serves as a steady source of revenue for the states, and they are able to utilize such 'raw-cash' to provide some form of social programs to the public. The dividend can therefore be literally taken as part-payment for the ₦50 million invested in NNDC by the ten Northern state governments.

The Board also has the prerogative to recommend that sums of money be set aside out of the company's profits as "Reserve Fund" either to be employed "in the business of the company or be invested in such investments......as the Directors may from time to time think fit".
Finally, the Board may decide to carry forward any profits "which they may think prudent not to divide".

These methods of allocating profits should be emulated by the newly classified "economic" enterprises. They would be required to give back part of their earnings (in the form of dividends) to the Federal Government as a way of compensating for the sacrifice which accompany public investment in them. It is also reasonable that some portion of the profits are ploughed back either into the enterprises or in yet other ventures. In either case, the investments will be generating more revenues, and the agencies can hope to be self-supporting especially in 'lean years' when government subsidies or bank loans are not forthcoming.

It is the opinion of the author that investment in manpower development is also very important, and deserves the attention of both enterprise categories. This is a subject of its own earlier in the paper. It is sufficient to add that Nigeria, as other developing countries, has a shortage of technical, managerial and highly qualified manpower.

The author suggests that local educational facilities be fully utilized while overseas training is granted only for specialized courses not available in Nigerian institutions. This is to reduce the exhorbitant costs involved.

The reward for emphasizing and positively responding to manpower need, will transcend organizational effective-
ness or increased productivity to include individual mental development. The long-term effect will be socially beneficial.

If it is considered necessary, the sponsoring organizations can make beneficiaries to sign bonds as a pre-condition for training. This will legally specify the length of time a trainee will have to serve his employer on completion of his studies.

Planning

The NNDC Group Managing Director and Chief Executive conceded to the general criticism that lack of clearly defined objectives and strategies is one of the causes of inefficiency in Nigerian public enterprises. His organization can be considered a model given the meticulous manner it has periodically examined itself and planned in accordance with the dictates of changing situations. NNDC also has several Comittess, each meeting sometimes weekly or monthly to deliberate on different issues, and to respond to such socio-economic and even political occurrences in the country. The Committees constitute very reliable source of information about the environment.

The creation of more adequate planning machinery should be given very high priority by the independent Boards of the "economic" enterprises. The plans should include proper utilization of indigenous resources of raw materials as inputs into the system, periodic market surveys to determine if demand is adequate to absorb the
output of any given product or service, and organizational self-appraisal systems to verify from time to time whether goals are being achieved.

The raison d'etre of any organization is to accomplish a task(s) that a single person acting alone could not accomplish. Planning is therefore not peculiar to "economic" enterprises alone but is also necessary in public agencies that provide social goods and services. In both cases, the planning process should not be the monopoly of the Boards but should involve top management and such other employees whose specialized or professional inputs are considered useful.

Government will remain the major revenue source for the enterprises until the "economic" corporations become fully self-financing. Government will therefore set the broad objectives for each enterprise in accordance with the priorities spelt out in National Development Plans.

The author recommends that the Board of Directors should be responsible for interpreting governmental objectives, and should develop the tactical plans to effect agency policies within the overall framework of the government's total program. The Board should also approve agency budget and capital expenditures submitted by management, and should monitor progress to achieve objectives within existing resources. It is important to set targets
for a limited time period for different activities and the Board is better suited to do this, as well as directing and guiding the management on matters of priority concern.

Of course, the management of each parastatal is to be charged with the responsibility of effecting the plans. There is need for effective communication and understanding to ensure relevant plan decisions by Board and effective operational decisions by management. The attendance at Board meetings of the Chief Executive, Secretary and other senior managers of each enterprise, when matters within the area of their responsibility are being discussed, will ensure such understanding.

Once a plan has been adopted, it has to be adhered to, and the Board needs current and accurate information from management to ensure this adherence. Procedures should be instituted in the plans for making modifications necessary to take account of changing circumstances. Finally, internal and external auditing as well as agency accounting should provide adequate mechanisms for linking plans to budgets, and for ascertaining that plan implementation is commensurate with budgetary allocations.

The essence of planning deserves some basic questions: what is our goal; where are we now relative to our goal; what does the future hold; how do we get there from here? NNDC has been able to answer these important questions through effective planning and forecasting; other Nigerian
public enterprises ought to equally do the same, to be successful.

Conclusion

Again, it is important in this concluding paragraph, to reiterate the author's awareness that the experiences of the New Nigeria Development Company cannot be replicated in its totality to all other public enterprises in the country. The recommendations arising out of this study will vary in application amongst the two new categories of enterprises, since their function and responsibilities vary. Moreover, this study does not claim to have offered all the solutions to the problems of these organizations. It is impossible to deal with all the 'nitty-gritty' of their daily operations. The study has however helped to propose some basic ways and means by which they can be improved.

The time has come to recognize the importance of public enterprises in the overall government machinery. They simply can no longer be considered as an extension of the civil service. They are different and must be treated as such if they are to succeed.

The Federal Government of Nigeria has made its first positive move with the new categorization, and much of what happens henceforth will depend on the management of the enterprises to direct their energies towards realizing Government hopes in them. They stand to gain from the analysis of NNDC, and can even request for institutional
support and advice from the organization when necessary. As comrades pursuing the same course, NNDC Management will be more than willing to respond to such request.

Finally, Nigeria, like other African countries, will continue to use new concepts, new institutions and new practices to bring about socio-economic development and self-reliance to match the attainment of political independence. The overall objective is to build a welfare society which provides a higher standard of living for every citizen. Alongside with this is economic growth which implies the continuous substantial increase in the production and consumption of goods and services.

While acknowledging governmental effort, current trends seem to cast doubt on the effectiveness of the role of the state in achieving this overall national objective. The greater percentage of the Nigerian population still wallow in abject poverty while the privileged few continue to store their excess wealth overseas, and to invest in houses and personal luxuries locally.

Issues of social equity remain a fundamental problem in almost every nation in the world; for even in the most wealthy countries, there is still a disproportionate distribution of income. Yet, government policies and programs must focus on the general welfare. Criteria for policy choices should include the satisfaction of individual preferences, equity, justice, human development,
and individual subjective well-being. In the absence of a general consensus as to what constitutes the best policy, there is need for trade-offs between conflicting values, and government has the duty of relating particular values to a larger value-system. This will mean that it must be concerned with the public interest rather than the interest of particular individuals, groups or organizations.

Even the Indigenization program of the Nigerian government, which is aimed at economic nationalism has not been a huge success in terms of reaching out to the common man. The few elites who are participants have proven to be more interested in a share in the proceeds of the economy than its control. They therefore become willing accomplices or 'comprador elites' with the transnational corporations and both play various benignly and legal 'implementation games' to neutralize government objective of increasing Nigerian control over the economy in general. This, and other business practices, leaves the larger population at the mercy of the privileged few, most of whom continue to abuse their official positions for private individual gains. The gap between the rich and the poor gets wider with increased social problems like armed robbery.

No government nor organization for that matter is infallible. However, there are certain societal problems that cannot be compromised but must be properly addressed. These include premature flights from the rural to urban
areas, unemployment, poor housing, juvenile delinquency, increases in the incidence of crime, poor medical care, insufficient quantity and quality of certain goods and services.

Nigeria is a developing country, and one of the elements that characterize Development Administration is 'the magnitude of the administrative burden'. This imply that the capacity of government to carry out its programs ought to be enlarged with the creation of administrative structures like public enterprises. The NNDC, like other "economic" enterprises are expected to play their parts by operating profitably and ploughing their profits back into the economy. The "social" enterprises plus Ministries and other similar agencies has ultimate social responsibility to the public. Regulatory bodies, research institutes, etc. also play their respective parts.

When the Federal and state governments, cooperating with their numerous public enterprises, are able to achieve their set objectives, and when the wealth of the nation is shared equitably among its peoples, then the living proof would have been offered of Nigeria's capacity to advance towards genuine economic independence and social equity.
FOOTNOTES


2 Nigeria, Federal Republic. (1974) Public Service Review Commission: Main Report. Lagos: Government Printers, p. 103. The Udoji Commission (so named after its Chairman, J. O. UDOJI) is one of several bodies dating back to 1964 that has been set up by successive Governments to instil a 'result-oriented' public service system in the Nigerian Administration.

3 The Northern States Marketing Board and the NNDC were the two major official bodies responsible for the economic advancement of the Northern Region at that time. The Board was the sole Government agent for the sale of the agricultural crops (mainly groundnuts and cotton) of the Region. The Marketing Board Law No. 7 of 1954 provided that 22½% of its profits in any one operating season should be made payable to NNDC to enable it carry out its activities. Similar regional produce marketing boards also existed in the East and West during the period.

4 Northern Nigeria Development Corporation LAWS, the legislation that created NNDC.

5 Source: Files on Northern Region Development Corporation, obtained from the National Archives, Kaduna, Nigeria.

6 The Map of the Federal Republic of Nigeria, showing states with NNDC investments is given as Appendix I.

7 List of NNDC Shareholders is in Appendix II. Source: NNDC Operational Information and General Policies booklet, p. 6.

8 The NNDC Group Organizational Chart - Appendix III.

9 In 1972, the first move to increase local participation in the national economy was made with the Indigenization Policy and the subsequent promulgation of the Nigerian Enterprises Promotion Decree, 1972. The

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Decree stipulates areas in which aliens may or may not be involved, and those in which they could jointly do business with Nigerian entrepreneurs. According to a Supplement on Nigeria in the Ebony Magazine, February 1982, about 500 million shares, valued at ₦472 million have been bought over by Nigerians from 1,858 foreign companies, in compliance with the provisions of the Decree.

10. Written response to a set of questions handed over by the author to the Group Managing Director and Chief Executive of NNDC, Alhaji Abdu Abdurrahim. p. 1. A copy of the questionnaire is given as Appendix IV.

11. The 'Naira' (₦) is Nigeria's currency and is worth approx. $1.50.


13. Written response, op. cit., p. 3.

14. Nigeria has since independence adopted Development Planning as a strategy of not only accelerating economic and social development, but as a means by which successive governments endeavored to secure compliance with, and support for, their policy choices. The total investment expenditure envisaged under the current Plan period (1981-85) is of the order of ₦82 billion. Of this sum, ₦70.5 billion will be accounted for by the various governments of the Federation and their agencies, while the private sector will be responsible for the balance of ₦11.5 billion. Government is determined to give highest priority to agriculture, housing, education. It is felt that these are crucial to the attainment of national goal of substantially improving the standard of living of every Nigerian.

15. Written response, op. cit., p. 2.


17. Third Annual Report of the Northern Region Development Corporation for the financial year 1957/58, p. 11.

18. NNDC Annual Reports and Accounts for the year ended March 31, 1979, p. 5.


NNDC Annual Reports and Accounts for financial year ending March 31, 1969, p. 5.


Ibid.

Source: Published Accounts of NNDC for ten consecutive financial years, 1971/72 to 1980/81. The profits does not include the operating results of the subsidiaries, but are those of the parent company itself (NNDC Limited). NNDC income is derived from investments in public quoted companies like UAC, African Petroleum, Food Specialities, U.T.C., Nigerian Bottling Company, Lever Brothers among other, as well as dividends from its subsiary and associated companies, commercial property income, and income from miscellaneous services.

NNDC Annual Reports and Accounts for financial year ending March 31, 1976, p. 9.

Source: NNDC Newsletter No. 5, April-September, 1980, p. 12.

Hanson, A. H. Notes on the Northern Region Development Corporation. Report presented in response to Northern Regional Government invitation to Mr. Hanson to look into the activities of NRDC with a view to recommending reorganization. Source: Files from National Archives, Kaduna, Nigeria, 1959.

Source: Mass Media - Business Times, Tuesday, November 8, 1977; and New Nigerian, Monday, April 6, 1981 respectively.

NNDC Chairman's Statement for the operating year ended March 31, 1981, p. 10.

31 Written response, op. cit., p. 2.
32 Ibid., p. 3.
33 Zayyad, op. cit., p. 9.
36 The "oil boom" which has occurred in Nigeria since the end of the civil war (1970) has marked a turning point in the pace and progress of economic development in the country. In 1980, a sum of ₦9.918 billion accrued from oil revenue and constituted about 84% of the total Federally collected revenue of ₦11.859 billion for the same year.
37 Written response, op. cit., p. 3.
38 This was a major observation of Thomas J. Biersteker in his paper, "Indigenization and the Nigerian Bourgeoise" presented at a Social Science Research Council Conference in Dakar, Senegal, December 1980.
Appendix I

FEDERAL REPUBLIC OF NIGERIA - 1976

KEY
- States with NNDC Investments
- States without NNDC Investments

States:
- Sokoto
- Kano
- Borno
- Kaduna
- Bauchi
- Niger
- Plateau
- Gongola
- Plateau
- Plateau
- Oyo
- Cross-River
- Benue
- Anambra
- Imo
- Rivers
- Lagos
- Ondo
- Ogun
- Benue
The Federal Republic of Nigeria lies within the tropics between latitudes 4° and 14° north of the Equator and longitudes 3° and 14° north of the Greenwich Meridian. It is bounded on the west by the Republic of Benin, on the north by the Niger Republic, on the east by the Republic of Cameroon and washed on the south by the Atlantic Ocean.

The country has an area of 913,072.64 square kilometres, and its climate varies from tropical at the coast to sub-tropical further inland. There are two well-marked seasons - the dry season lasting from November to March and the rainy season from April to October. Temperatures at the coast seldom rise above 32°C, but humidity can be as high as 95%. The climate is drier further north where extremes of temperatures are common, sometimes ranging from 36°C to 12°C.
## Appendix II

### NNDC SHAREHOLDERS

<table>
<thead>
<tr>
<th>State</th>
<th>% Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauchi State Government</td>
<td>8.43</td>
</tr>
<tr>
<td>Benue State Government</td>
<td>5.38</td>
</tr>
<tr>
<td>Borno State Government</td>
<td>9.28</td>
</tr>
<tr>
<td>Gongola State Government</td>
<td>8.29</td>
</tr>
<tr>
<td>Kaduna State Government</td>
<td>14.00</td>
</tr>
<tr>
<td>Kano State Government</td>
<td>19.00</td>
</tr>
<tr>
<td>Kwara State Government</td>
<td>8.00</td>
</tr>
<tr>
<td>Niger State Government</td>
<td>6.65</td>
</tr>
<tr>
<td>Plateau State Government</td>
<td>8.62</td>
</tr>
<tr>
<td>Sokoto State Government</td>
<td>12.35</td>
</tr>
</tbody>
</table>

\[ 100\% \]

\[ =========== \]
THE NNDC GROUP

New Nigeria Development Company Limited is a development finance company owned by the Governments of ten States in the Federal Republic of Nigeria. It has investments in the Commercial, Industrial, Service, and Agricultural sectors of the Nigerian economy. It has assets worth well over £100 million.

Its structure as a Group Holding Company is as follows:

- **Board of Directors NNDC Ltd**
- **Group Managing Director**
- **Northern Nigeria Investment Limited**
  - Investments in Industrial Processing and Manufacturing Projects
- **Nigerian Agricultural Promotions Company Limited**
  - Agricultural Management and Consultancy Services
- **Arewa Hotels (Development) Limited**
  - Hotels Development and Management

**Divisional Directors**

- Financial Institutions & Commerce Division
- Hotels Food and Beverages Division
- Administration Division
- Real Estate Construction & Building Services Division
- Textiles, Chemicals & Other Manufacturing Division

**Investments**

<table>
<thead>
<tr>
<th>Source of Company</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary</td>
<td>132</td>
</tr>
<tr>
<td>Liabilities to Associate Companies</td>
<td>121</td>
</tr>
<tr>
<td>Past Final Investments</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>174</strong></td>
</tr>
</tbody>
</table>

*June 1980*
Appendix IV


1. What are the main objectives of NNDC and to what extent has the organization been able to achieve those objectives?

2. What is your style of management as it relates to decision-making structure and in what ways do you think this has affected the NNDC?

3. What has generally been your experience as the Chief Executive of NNDC?

4. Do you think NNDC is a successful organization? If so, what are the distinct factors that have contributed to its success?

5. Is there any room for improvement?

6. Do you foresee any changes in the ownership structure of the NNDC? What effects will such have on the organization?

7. What is the relationship between NNDC and other Federal/state public enterprises in Nigeria?

8. What, in your mind and from your experience, are the major impediments to making public enterprises successful ventures whereby they could contribute to the socio-economic development of Nigeria?

9. How do you think your organization can positively affect and influence some of these enterprises?

10. What is the current worth of NNDC?
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PERIODICALS


OTHERS


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