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MANAGEMENT PROBLEMS IN GOVERNMENT PARASTATALS: THE KWARA STATE EXPERIENCE

By

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ABSTRACT

Parastatals are financially semi-autonomous bodies created by enabling laws called edicts or government fiats in the absence of edicts. Parastatals are created in some cases because their business cannot be efficiently carried out by the governments and are also unsuitable or unattractive to private sector. But basically they could all be classified into two groups, those providing essential social services and those that are of commercial nature.

There are various management problems facing Parastatals. This paper analyses the management problems militating against efficiency and high productivity in most Parastatals in Kwara State. These problems include lack of funds, undue interference by the superintending ministries, lack of qualified staff, poor training facilities and lack of necessary equipment.

The paper suggests ways by which these problems could be solved and these include abiding by the edicts and laws under which the Parastatals were brought into being, provision of adequate fund, necessary facilities and freehand to employ qualified staff.

INTRODUCTION

It would be of great help to give a conceptual definition of management in order to have a broader understanding of the topic.

"Encyclopedia Americana" defined 'Management' as the art of coordinating the elements or factors of production towards the achievement of the purposes of an organisation. That is the accomplishment of objectives through the use of human, labour, materials and machines.

Stephen J. Carroll Jr et al (1973) state that organisations exist to combine human efforts in order to achieve certain goals. They then define management as "the process by which these human efforts are combined with each other and with material resources". This in essence means that the concept of any management has a goal at stake to achieve by combining human effort.

Parastatals (or public corporations) are financially semi-autonomous bodies created by enabling laws called edicts (or government fiats in the absence of edicts). Parastatals are ultimately responsible through Board of Directors to the government and the general public. Unlike

a government department, some Parastatals are designed to be profit making enterprise. Parastatals are created in some cases because their business cannot be efficiently carried out by the government departments and are also unsuitable or unattractive to the private sector. Several types of Parastatals exist. But basically they could all be classified into two groups:

- those providing essential social services and
- those that of a commercial nature.

Now the question is what are the management problems which militate against efficiency and high productivity in most Parastatals? These problems are numerous.

For instance management diseconomies can arise due to the largeness of the size of a Parastatal. In some cases, the need to contact a hierarchy of officials in major policy issues often slows decision making process.

Some top posts in Parastatals are often filled by Politicians who are not successful at general elections, these politicians are sometimes appointed as chairmen or members of the board of directors in such enterprises irrespective of their entrepreneurial and administrative skill. In most cases, the office of the chairman is separated from that of the Chief Executive in the Parastatals. This dichotomy sometimes hinders management, for it is not uncommon for the chairman and some other Board members to make it difficult for the general manager to function effectively.

The issue of funding is another management problem. Parastatals in most cases depend entirely on government for all

their funds. The extent to which government is able to meet the financial requirement determines to a large extent the resilience and effectiveness of the functions performed by the organisation.

There is also lack of equipments needed for efficient and effective performance.

Management problems in the government Parastatals can then be summarised into problems relating to inadequate fund, equipment, personnel and undue control and intervention.

METHODOLOGY

The information collected is based on interview, documentary files and bulletins. Interviews were undertaken. Information is elicited from written document and files.

Fifty (50) people were interviewed. The sample was restricted to management staff who are either directly employed by these parastatals or who rose to the management positions having served for a reasonable period of time. This set of people was considered because it is seen that their job depends on the continuous existence of the parastatals. They will then want to do anything to make sure that the parastatals continue to strive. Political office holders among the management staff were therefore avoided during this selection.

A critical analysis of responses on the issues raised was made by way of discussion.

There is a section that deals with matters relating to Parastatals in the Kwara State Governor's office, Ilorin. This section adopted the style of having periodic

meetings with the management staff of various Parastatals.

General and specific issues on the activities of each Parastatals are discussed in these meetings and the proceedings are documented and later produced as reports. I have drawn information from these reports in order to complement information from interview. Sequel to this, any approach through questionnaire has been made less cumbersome.

A structured interview technique was used to gather information from respondents like personnel managers, production managers, sales managers and financial managers.

THE ROLE OF THE PARASTATALS IN THE ECONOMIC DEVELOPMENT OF KWARA STATE

In Kwara State there are about forty government Parastatals established to carry out specific assignments. Each of these Parastatals was established by an enabling law called an edict. Generally speaking, the State Parastatals can be divided into two broad groups, namely:

1. the social service ones-utility Board, Sport Council, Pilgrims Board etc.
2. the Commercial Parastatals-Kwara Furniture Manufacturing Company, Agricultural Land Development Company Limited; Kwara Investment and Property Development Company Limited.

In May 1967 when Kwara state was formally established it was one economically backward entity carved out of the old Northern region which itself was

considered backward. The major economic inheritance of the Central Western State as Kwara state was then known was education and this inheritance was not evenly spread within the new state with the result that while some local Governments had an abundance of educated folk, many others had a dearth of it. This economic backwardness informed the need by government to set-up institutions that could set in motion a rapid escape from the social and economic backwardness in which the state found itself at inception. The involvement of government at this extra-ministerial level was also dictated by the fact that there were very few indigenes of the State who were economically strong, capable and willing to make the necessary sacrifice which was usually required at such initial stage of investment climate and state building characterized by lack of social amenities.

So the State government had to come up with Parastatals that were charged with specific responsibilities. Hence we had institutions like the Old Water Corporation (now utility Board) Kwara Food (Later Agricultural Development Corporation) out of which four other companies emerged. Imaco (which later metamorphosed into the Kwara Furniture Manufacturing It Company), Kwara Investment Corporation (KIC) the precursor of Kwara Investment and Property Development Company Limited etc. It is to this list that are added other Parastatals that now come up by the day in the state.

Most often the names of the Parastatals indicate their areas of responsibility for instance, the utility Board is to provide portable water, Kwara Food was to provide food, its successor Agricultural Development Corporation was

charged with agriculture, land preparation, cultivation of crops and production of poultry and animal products, Kwara Furniture Manufacturing Company was to provide quality furniture for government offices and individuals within and outside the state.

The Sports Council is there to coordinate sporting activities in the state while the Art Council is to develop, collate, organise and integrate the diverse cultural complexities in the state.

Parastatals have also played their roles in the economic development of the state by providing employment opportunities they offer to staff and a number of contractors.

Parastatals by their existence represent veritable avenues for government expenditure on the citizenry in diverse ways. By the taxes they pay to government, Parastatals add to the internally generated revenue of the state.

Since production of goods and services and the generation of employment opportunities are indices of an economy the role of Parastatals in the economic development of Kwara State cannot be over-stressed.

IDENTIFIED MANAGEMENT PROBLEMS IN PARASTATALS

Many management problems inhibit the smooth running of Parastatals.

Iyanda and Bello (1988) made mention of some management problems that can be identified with Parastatals. Although, problems of managing specific business were not focussed yet what

presented are those aspects of management problems that may be considered as relatively universal to all business, Parastatals inclusive. They identified lack of funds and skilled personnel as some of the management problems facing many organisations. According to them, funds are required for buying equipment and raw materials as well as for paying employees. Various categories of skilled personnel are also needed for meaningful planning and execution of programmes.

Armeane (1988) argued that one of the reasons for poor performance of public enterprises in many developing countries is that the Board of Directors and managers of these enterprises have no political and managerial autonomy. Armeane attributed the success of the Ugandan Public Enterprises to the fact that the enterprises enjoyed managerial autonomy and there had been no political interference in their operations. The same argument can be made for the success of the Ethiopian Telecommunications Board and the Ethiopian Airlines. These enterprises operated on sound business principles and hired skilled managers regardless of their ethnic origin or political persuasion.

Part of the problem with the profitability of state enterprises emanated from the nature of the firms themselves. Accordingly, many state enterprises are constituted by operations which are inherently unprofitable such as those established to activate economically depressed regions, to retain recundant labour and to carry favour from voters. In addition, the government may fix prices, which cannot be justified by the cost of the products deemed to be basic necessities such as rural electricity or urban bus transport.

Other identified problems include poor project identification and development, lack of, or underdevelopment of infrastructures under-capitalisation, and government-imposed rigid and infrequently adjusted prices.

Experience has shown that, management diseconomies can arise due to the largeness of the size of a public corporation. In some cases, the need to contact a hierarchy of officials in major policy issues often slows decision-making process.

Government economic policies at times constitute management problems. These policies in a given enterprise may be at variance with the sound policies aimed at achieving efficiency in such an enterprise. For instance, the price policy imposed by the government may conflict with the enterprises profit target which too might have been imposed by the government. That is, it is difficult to separate politics from business decisions and consequently many uneconomic decisions are often taken. In essence there is the lack of clearly defined roles and objectives. Without the classification of objectives, management can achieve very little.

Kwaku (1979) identified political interference in the operations of some corporations as one of the factors militating against management efficiency. This interference according to him has resulted in the appointment of unqualified top management personnel, corruption, management and general inefficiency. He cited the example of the commission of Enquiry into the operations of the State Furniture and Joinery Corporation (After the 1966 coup d'état in Ghana) observed that the power of ministerial control of public corporations was excessively

abused. For the Chief Accountant for that corporation never studied any accounting in his lifetime and therefore, had no working knowledge of accounting. His appointment was dictated by his political affiliation to the then ruling Convention Peoples Party (CPP) government. This sums up the degree of inefficiency that could prevail in such a corporation. Again under the Nkrumah regime, a minister of State who owed the State, Furniture and Joinery corporation by virtue of his power of general directions, directed that the debt should be written off. Similarly a debt owed to the same corporation by a party lady activist was cancelled. Besides in 1969 the Busia government dismissed Mr. U.K Hackma from the post of Chief Executive of the Ghana Cocoa Marketing Board for asking the ruling Progress Party members who had taken loans from the Board to buy cocoa to pay back. In the final analysis the net result of this unwarranted political interference is the reduction in revenue of the corporations and increasing cost of production which make them economically unviable to maintain.

Olisa (1985) pointed out that some measure of political control is unavoidable in the public corporations owing to the need for proper accountability. Some people do not find it easy to justify the intrusions of methods and personnel of government bureaucracy into the administration of the corporations. He also observed the problem of dual loyalty and inability to identify fully with the aspiration and problems of corporations by seconded civil servants.

Also management of most parastatals are not given free hand on issues relating to hiring and firing of their staff.

Another contention is based on the fact that most parastatals are run on the

model of the civil service and are characterized by as much red-tapism, routinization, internal conflicts, poor conditions of service and general inefficiency and low productivity.

At this juncture the identified management problems in Government Parastatals could be summarized as financial constraints, lack of necessary equipment, lack of adequate personnel as well as control and intervention otherwise tagged political interference.

MANAGEMENT PROBLEMS FACING GOVERNMENT PARASTATALS IN KWARA STATE

During the study, the following management problems were identified.

Lack of Fund. There is grossly inadequate fund and in many cases, the little fund available in the form of grant from the Kwara State Government is released at the wrong time of the year. For instance, funds which is needed to finance planting of crops in January and harvesting in June is released in April or May to the relevant Parastatals, here one sees the implication. There is also inadequate finance in the area of capitalization and working capital. There is also the problem of loan burden, for instance, the Kwara State Government is yet to honour the loan used in the purchase of equipment by many Parastatals. Funds meant for most Parastatals appear in the budget as tentative meaning not yet released. The grossly inadequate fund is due to the following reasons:

1. There is over-dependence on

government subventions even when the business orientation of some of these Parastatals could qualify them for funds from commercial sources for their investment proposals.

2. The Parastatals do not generate enough internal funds on their operations to make them self-reliant. Enough attention has not been paid to financial management by the Parastatals since they regard the government as the only solution to their financial problems.
3. The Parastatals especially those of commercial nature do not seem to have recognised that their pricing policy, inventory control system have a direct relevance to their financial positions. The importance of funds cannot be over-stressed because it is required for the purchase of essential equipment and raw materials as well as for payment of salary of employees.

Personnel is another management problem affecting the Parastatals. Various category of skilled personnel are needed for meaningful planning and execution of programmes. Most of the top management personnel are seconded to these Parastatals from various ministries in the state. These officials on secondment continue to draw their salary from their former ministries. They also earn their promotion in their parent ministries. Some of these seconded staff are in most cases not qualified. There is also shortage of trained manpower.

Lack of necessary equipment is another problem facing the Parastatals. There is grossly inadequate supply of essential inputs and equipment. Most of the vehicles are either broken down or become obsolete.

There is also the problem of lack of

political and managerial autonomy or undue political interference, which inhibits managerial efficiency of the Parastatals. Some issues, which need quick attention, are made to delay by the usual governmental procedures. The boards of these Parastatals are not the final authority on most issues affecting them. There appears to be undue interference in the day to day operations of these Parastatals by the superintending ministries. In most cases, the need to contact a hierarchy of officials in major policy issues often slows decision-making process. In fact Parastatals in the state are run on the model of the civil service and are characterized by as much red-tapism, routinization, internal conflicts and poor conditions of service.

ANALYSIS OF RESPONSE

Most management staff identified lack of fund as one of the major problems facing the Parastatals. They expressed great disappointment about grossly inadequate fund and in many instances the little fund available in the form of grant from the State Government is released at the wrong time. In fact, from the interview, it was gathered that most problems affecting the Parastatals emanated from lack of fund. One cannot overstressed the importance of fund, for it is required to procure equipment necessary to achieve meaningful results of operation.

PERSONNEL AS A MANAGEMENT PROBLEM

When question was asked whether they were pleased with quality and quantity of the calibre of their current personnel strength. Their responses was not all that

direct but from critical observation, it was gathered that there is a dearth of cadres of board of directors and managers with knowledge in public affairs and business know-how who are fully aware that their major responsibility is to make public enterprises profitable or goal oriented depending on the purpose for which the enterprises were set up. In fact all the prospects identified need some highly trained personnel. In other words there is shortage of adequate manpower in the projects identified. It was observed that must of the top management personnel are seconded to the Parastatals from various state ministries. These officials on secondment continue to draw their salaries from their former ministries here we have what we called divided loyalty. In fact, it must be noted that calibre of personnel that run the Parastatals is inadequate for effective management. Some Civil Servants that are seconded or transferred to run the Parastatals are not that qualified.

EQUIPMENT AS A MANAGEMENT PROBLEM

Almost all the Parastatals are not pleased with the sorry state of their equipment facility. Lack of necessary equipment according to the various management of these Parastatals is one of the greatest problems inhibiting management efficiency. There is grossly inadequate supply of essential inputs and equipment. When I was conducted round the premises of most of these Parastatals, it was found that most of the vehicles were either broken down or become obsolete.

CONTROL AND INTERVENTION AS A MANGEMENT PROBLEM

When some of the Management Staff were asked if there is any control and intervention and if any, does it constitute a problem? Most of them said that Parastatals cannot be run like Ministries in that certain decision have to be taken on the spot. Scheduled officers must be given enough free hand on the projects handled by them. Some issues cannot wait for the usual government procedure.

Most of the management of these Parastatals claimed they lacked political and managerial autonomy and this is inhibiting the management efficiency of the corporation. These undue control and intervention have led to much red-tapism and over centralization of activities (i.e bureaucracy). Some decisions that need to be taken immediately are made impossible because of this impediment. The boards of these Parastatals are not the final authority on most of the issues on which they deliberate. There are undue interferences in the day-to-day operations of these Parastatals by their superintending ministries. In fact the Parastatals are run on the model of the civil service.

ANALYSIS OF OVERALL RESPONSES

During the course of study, four management problems are identified and these are analysed above. However, problems of finance and control intervention appear to be the crux of the problems. If these two problems are solved the other two will be tackled easily. For instance if there is adequate fund, the acquisition of necessary inputs and

equipment will be easy. Furthermore, with availability of adequate fund coupled with freedom from unnecessary control and intervention the management will be able to hire or employ qualified personnel and fire erring staff. This will also make the management to be efficient and effective in their day-to-day activities

MAJOR FINDINGS OF THE STUDY

The central theme of this research is the analysis of management problems in government parastatals.

Now, it is important to stress the findings on the nature of these problems. During the course of study, various methods were used to elicit information on what constitute management problems in government parastatals. The methods used in eliciting information are interview, documentary files, bulletins and various textbooks.

Many management problems were identified but the major ones are lack of adequate funds, shortage of trained manpower, inadequate supply of necessary inputs and equipments, and unnecessary control and intervention.

CONCLUSION

Notwithstanding, the problems of the parastatals in Kwara State their modest achievements within their span of existence is a pointer to the capability of the parastatals results if resources are made available timely and adequately.

The continue reorganization of the

parastatals will enable them to attract the needed support from financial institutions to carry out their activities.

Generally, the performance of parastatals falls below expectations, and there is the need for considerable improvement. Notwithstanding, parastatals still have an essential role to play in the development process of any nation.

War time emergencies, the need for socio-economic development, inflexibility, unsuitability and deficiencies in the, then states civil service system necessitated separate organizations outside the regular administrative framework of government.

RECOMMENDATIONS

The substantive nature of the performance problems faced by parastatals in the Third World is quite obvious, the plausible solution for improving the profitability of state enterprises is to remove the constraints which militate against efficient operation. These solutions fall within the realm of policy changes and the development of effective managerial strategies.

Before a decision is made to establish a public enterprise a thorough project analysis should be undertaken, cost-benefit analysis, problematic as it is, must be done. If the projected benefits both economic and societal do not exceed the cost of establishment, then there is neither economic nor societal justification for establishing the parastatals. These technicalities should not, however, overshadow the overriding importance of devising appropriate policies, which are the prerequisites of profitability.

While the rights, albeit the

obligations, of the government to involve itself in the affairs of the public enterprises cannot be questioned this should be done in a manner prescribed by law with clear procedural specifications. Such an establishment of procedure will preclude unwarranted personal pressures that may be exerted by government officials on the board of directors and managers to the detriment of the state enterprise.

The government through the ministers (commissioners) concerned with the specific public enterprise should limit itself to giving a clear definition of objectives and terms of reference, appointment of board of directors and the chairman of the board, approving capital budgets, approving pricing policy, procuring funds when such funds are large capital, reviewing performance and liquidating the enterprise when such liquidation is justified and desirable. Once this is done the public enterprise must be insulated from political interference.

In order to solve these management problems affecting the Parastatals it is necessary for the government to abide by the edicts and laws under which the Parastatals were brought into being. The Boards of these Parastatals should be the final authority on issues affecting them. That is there should exist no regulatory limit to the amount of resources purely on the merit of their proposal. Should Government guarantee be required for large loans, government willingness to provide such guarantee should be separated from the intrinsic merits of the proposal under consideration. Once the boards of any Parastatal has agreed that a proposal has been made and is worthy of financing, the issue of whether it should go ahead should not be left to the government to decide.

The Parastatals must be given the free hand to employ qualified staff. The number of officers seconded to the Parastatals should be discouraged or reduced to the barest maximum.

Adequate fund must be made available to the Parastatals if this is done, the problem of lack of equipment will be solved in that fund will be available to purchase the necessary inputs.

Also undue interference in the day-to-day operation of the Parastatals by the superintending ministries and other related bodies should be discouraged.

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