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MANAGEMENT PRACTICES AND PERFORMANCE DETERMINANTS OF PUBLIC AND PRIVATE SECTOR ENTERPRISES IN ANAMBRA, EDO AND DELTA STATES OF NIGERIA: A FACTOR ANALYSIS

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1997

CERTIFICATION

We certify that this work was carried out by **Mrs May Ifeoma Nwoye** in the Department of Business Administration, University of Benin, Benin City.

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DEDICATION

This work is dedicated
to **Almighty God**

and

To My Father,
Chief Fidelis Oraekwu Agulue
at whose instance I enrolled.

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ABSTRACT

MANAGEMENT PRACTICES AND PERFORMANCE DETERMINANTS OF PUBLIC AND PRIVATE SECTOR ENTERPRISES IN ANAMBRA, EDO AND DELTA STATES OF NIGERIA: A FACTOR ANALYSIS

This research focusses on the comparative performance of public and private sector enterprises in Nigeria. For any economy to develop, it has to employ systematic planning and efficient management of its resources. The productive forces therein vary significantly depending on the economic orientation of the society in terms of ownership structure, whether private or public.

In a market-oriented economy like Nigeria, profitability is the basic indicator that determines the direction of performance of enterprises.

In many parts of the world, private organizations have traditionally been involved in the provision of goods and services for the improvement of welfare of the people all over the world. Public enterprises emerged as a result of need to rationally harness the scare resources for the economic development especially in the areas where the private sector is reluctant to do so due to inadequate resources as well as economic uncertainties.

In Nigeria, investment in the public sector increased tremendously in the 1970s as a result of the oil boom and tended to address many social and economic problems of the country. In the early 1980's however, when the overall economy began to dwindle, the poor performance of these public sector enterprises became apparent.

The study intends to critically examine the management practices of selected public and private sector enterprises in Anambra, Edo and Delta States with a view to identifying the factors influencing their performance.

An overview of the literature on enterprise performance in Nigeria shows that systematic studies of the factors influencing them have focused largely on the private sector. And while it is generally contended that public sector enterprises have performed below expectations, systematic and comparative studies of the factors underlying their failure to perform are quite limited. Although there is a policy trend towards increased privatization of public enterprises, there is no doubt that the public sector will continue to play a significant role in the Nigeria economy, given the level of the country's economic development. But more importantly, in terms of academic orientation of the study there is the need to comparatively analyse and document the factors which contributed to the failure or otherwise of public and private sector enterprises. This study attempts to factorize the various indices identified as having influenced the performance of enterprises in Nigeria. Besides, it emphasizes those indicators of performance which are defined in terms of internal organizational arrangement within the control of the management and proprietors of the selected enterprises.

Relevant data were collected through both formal and informal processes. The list of public and private sector enterprises were compiled from various sources including reports of official industrial directories in Anambra, Edo and Delta States. These official records were supplemented with the pilot survey by the researcher.

Experimental focus group (participatory) survey was used to collect information on the nature of performance factors associated with private and public enterprises from the point of view of proprietors, management and workers of the sample enterprises. The preliminary analysis of the findings of the focus group sessions provided the basis for the refinement of the questionnaire which were later administered to the various sample enterprises.

Finally, data analyses were carried out under three phases. First, was the descriptive analysis which revealed the characteristics of the various indicators. Secondly, the findings of the focus group discussion were codified and analysed. The third phase constitutes the detailed analysis which entailed the use of 'Factor Analysis' to identify the major factors that influence the success or otherwise of enterprises in both sectors. This was also used to classify the enterprises into various groups on the basis of their score on the performance indicators. The output of these analyses helped to provided an objective basis for comparing the patterns of performance in both sectors and the underlying factors influencing them.

The findings of this study will therefore be valuable in other studies of the performance evaluation of private and public sector enterprises in Nigeria.

Findings

The sampled enterprises in the study which are diverse in nature and structure, provided a broad spectrum of typical public and private sector enterprises that have characterized the economy of the study area during the last few decades. From the focus group discussions and the questionnaire data, factors identified as being responsible for the differences in the performance and management practices of public and private sector enterprises include: Mode of recruitment of workers, management of reward system, Training characteristics, leadership style, organizational structure, goal setting methods. On the participant's own evaluation of the enterprise and their assessment of the factors influencing performance, the following factors were identified by respondents *inter alia* include, lack of motivation of workers, poor technology, over bureaucratization, instability of government, employment insecurity, inadequate infrastrutural facilities and poor attitude to work.

The success of this special approach of data collection is of a major significance for a developing country.

Contribution to Knowledge

(1) From the academic point of view, the study has identified and documented in empirical terms the various factors that influence the performance of the public and private sector enterprises in Nigeria, e.g. reward system, goal setting and management by objectives (MBO), method of staff selection, training and development, leadership orientation, organization structure and job design.

(2) The findings will be very useful to policy makers in articulating programmes of productivity improvement in the country.

(3) Acceptance of the findings hopefully also reduces the impressionistic conclusion of the reasons why the public sector enterprises have failed and consequently reduce the reliance on profitability as the sole measure of performance.

(4) The key factors which are identified as responsible for the successful performance of private enterprises which has been established will be used to improve the performance of enterprises in public sector enterprises.

(5) Since the relative 'better performance' of the private sector enterprises does not imply that all private sectors are doing well, the findings of the key factors that are responsible for the optimal success of enterprises will be applied even to the private sector enterprises that are performing poorly.

CHAPTER I

1.0 INTRODUCTION

1.1 THE RESEARCH PROBLEM

The development pattern of any economy is substantially determined by the way the productive forces in and around the economy are organized. This organization in terms of dominant institutions and social production relations generally reflects the ideological bias of the society concerned. Whichever way the productive forces in an economy may be organized, what is important from the perspective of economic development is the efficient use of scarce resources to increase productivity in the economy. In other words the performance of all productive units in any economy must be constantly monitored to ensure that the highest possible optimum output is achieved so as to improve the overall performance of that economy. The level of the performance of any productive unit in any economy is a reflection of the efficient combination of the factors of production, that is labour, land and capital. The management of these factors is the responsibility of the entrepreneurs who generally being regarded as the fourth factor of production, are to provide the organizational framework for the efficient performance of the various productive units under their control (Aboyade, 1966).

In a market oriented economy profitability is generally considered the best overall indicator of the performance of any production unit or organization. Profitability reflects the outcome of all managerial decisions: the products or services produced, marketing strategy, level of investment, and of course, the underlying efficiency with which inputs are converted to outputs. The importance of evaluating the performance of enterprises in an economy such as those in Nigeria is due to the implications for the nation's standard of living and national well-being (Anao, 1985).

In the first place growth in real income is dependent upon the production of more goods and the provision of more services given available resources. Increased productivity resulting from the efficient utilization of scarce productive resources therefore means more goods and services being made available for consumption and investment, thus ensuring a higher standard of living and increased capital formation through greater savings. Furthermore increased productivity provides the means for an improved quality of life. Without growth in productivity the economic pie is necessarily a fixed size and consequently there will be decline in the standard of living given the dynamics of population growth rate. Finally the performance of enterprises in an economy has implications for the international economic relations. In a competitive world economy where prices reflect costs of production, scarcity of raw materials and values of finished products, productivity translates into jobs. If enterprises in Nigeria fail to increase productivity by ensuring efficient use of resources as other countries in the world are doing, domestically produced goods will become less and less competitive. Consequently, efficient foreign producers will win ever-increasing shares of domestic and foreign markets. Thus if Nigerian enterprises cannot sell their goods and services, they will not be able to employ a good number of Nigerian workers and by implication therefore, a loss in competitiveness means loss of job opportunities for the labour force in the country (Okojie, 1995).

It is against this background that management studies have over the years paid considerable attention to the analysis of the determinants of the performance of enterprises and entrepreneurs in various sectors of an economy. In Nigeria, it is well known that enterprises in the private and public sectors of the economy have played major roles in the development process of the country. The relative performance of the enterprises has therefore been of major interest to researchers and policy makers in

Nigeria (Onitiri, 1987).

An overview of the literature on enterprise management performance in Nigeria shows that systematic studies of the factors influencing the performance of Nigerian enterprises have focused largely on the private sector (Owosekun, 1991; Medupin, 1991). On the other hand, while it is generally contended from practical experience that public sector enterprises have performed quite below expectation in Nigeria, systematic and comparative studies of the factors underlying their failure to perform are quite limited and in most cases restricted to one or two enterprises. Although the present public policy trend in the Nigerian economy is towards increasing privatization of enterprises, there is no doubt that the public sector will continue to play a significant role in the economic development of the country. For example, the 1997 budget of the Federal Government emphasized the need to encourage the development of rural small scale industries in Nigeria with the government providing the stimulus. Thus at the present level of economic development in Nigeria, the role of the public sector in the country's economy cannot be ignored. More importantly, in terms of the academic orientation of this study, there is the need to analyse and document the factors which contributed to the failure of public sector enterprises compared with private sector ones in Nigeria. A systematic analysis of these factors will not only be of academic interest but also relevant to future policy decisions on the mode of the involvement of the public sector in the ownership and management of enterprises in the country.

Finally, an examination of the literature on the factors influencing the performance of enterprises in Nigeria indicates that a variety of factors have been identified as contributing to the patterns (Lewis, 1977). This suggests the need for a multivariate approach to the analysis of the performance of public and private enterprises so as to isolate the most important factors which should receive policy attention in the country. This explains why this study attempts to factorize the various indices identified as having influenced the performance of enterprises in Nigeria so as to isolate the most important ones.

1.2 OBJECTIVE OF THE STUDY

The study examines the management practices of public and private sector enterprises in Nigeria with specific reference to Edo, Delta and Anambra States. The implications of these practices for the performance of enterprises in the two sectors of the economy are examined. In specific terms, the objectives of the study are as follows:

(i) To review the evolution of the Nigerian economy with particular reference to the relative role of private and public agencies in the economy over the years.

(ii) To articulate conceptual framework in which various indicators that can be used for the analysis of the performance of the enterprises in the Nigerian context are identified.

(iii) To evaluate the performance and management practices of a sample of public and privately owned enterprises in Nigeria in terms of selected performance indicators.

(iv) To identify and isolate the most important determinants of the performance of public and private enterprises using factors analysis.

(v) To propose and discuss the policy implications of the findings.

1.3 RELEVANCE OF THE STUDY

In many countries in the developing world especially those in which a robust private sector did not exist, public enterprises have played a crucial role in the development of their economies. They have also frequently played an important role in the fulfilment of certain social objectives that probably the state or the private sector would have found difficult to undertake. Unfortunately, however, the high growth rate and the fulfilment of social objectives were not achieved in many cases in a cost-effective way. However, the severe resource constraints and curtailment of growth in many countries during the last several years has made many governments realize that public enterprises can become obstacles to the resolution of macroeconomic problems such as high inflation rates, large budgetary deficits, excessive foreign debt and the like (Ayub and Hegstad, 1986).

One major response of several governments to the relatively poor performance of public sector enterprises has been to restructure them as a complement to policy and institutional reform. Such restructuring has involved consideration of a wide variety of measures including breaking up large units, merging small ones, selling assets, spinning units off, liquidating them completely, opening up a sector to private investors, and privatizing existing units partially or entirely.

There is, therefore, a tendency to argue that in view of world-wide economic policy shift in favour of privatization of which Nigeria is a part, a study of the performance of public enterprises is no more relevant in the country. This study does not share this view. While privatization is generally desirable, the extent, nature and speed with which it can be pursued varies from country to country, and depends on the type of enterprise. The process in many countries including Nigeria has been slow in view of the need to build a broad political consensus, to change entrenched positions, to inculcate a new approach and to overcome certain inherent economic constraints. In many African countries, the thinness of the domestic capital markets, scarcity of experienced entrepreneurs and reluctance of the private sector to acquire inefficient and loss-making public enterprises at mutually acceptable prices are inherent economic structural constraints on privatization. There is no doubt, therefore, that the public sector will continue to play a remarkable role in the economy of many developing countries.

In the context of Nigeria we need to know in quantitative and empirical terms why public sector enterprises failed in the country. Invariably the high frequency of non-performance of enterprises owned by the public sector tends to lead to impressionistic conclusions as to why they do not perform. There is need for systematic data collection and quantitative analysis of the underlying factors influencing them in a comparative manner. The performance of similar enterprises in the public and private sectors of the Nigerian economy is therefore very important especially since the public sector will continue to play an important role in the economy.

It is against this background that this study is conceived as relevant in a number of ways. The findings of this study will be valuable in the understanding of the underlying factors influencing differences in the performance of public and private sector enterprises in Nigeria and thereby provide a basis for articulating programmes for productivity improvement in the country.

In fact many of the problems of the public sector enterprises in Nigeria, as in many other parts of the world, are traceable to inadequate indicators for evaluating their performance. This can be explained by the fact that the goals of enterprises owned by the public sector are not clearly specified due to the problems of multiple objectives which could be commercial or social. For private enterprises, on the other hand, long-term profits and growth provide quite reasonable first approximations to performance. It is obvious that the relative difficulty with which performance can be measured is one major reason for the general belief that public sector enterprises are inefficient. There is no doubt that any enterprise without meaningful quantifiable objectives has great difficulties in controlling efficiency. This study therefore demonstrates the need to evaluate public sector enterprises as well as private sector ones with the same set of indicators so as to be fair to the enterprises in both sectors in terms of their performance.

In the above context this study attempts to eliminate subjective evaluation of public sector enterprises in Nigeria. The findings of this study will therefore be valuable in other studies of the performance evaluation of private and public sector enterprises in Nigeria.

It is in the above context that this study will attempt to disaggregate the major indicators that can be comparatively used to evaluate the performance of enterprises in both sectors of the Nigerian economy. In other words, the application of the identified indicators in other studies can improve on their reliability as measures of the performance of enterprises in both the public and private sectors. There is no doubt that the existence of such tested and confirmed set of indicators of the performance of public and private sector enterprises in Nigeria will reduce the reliance on profitability which in most cases cannot be easily quantified for public sector enterprises.

Another relevance of this study relates to the participatory methodology which was adopted in the collection of data. In most studies of economic and social institutions in this country, there has been a major reliance on the use of available statistics and the administration of questionnaires. Although such approaches have their merit, it has been found that the researcher's perception and influence tend to dominate the choice of materials and the interpretation of findings. This so-called objective approach may not reflect the totality of the factors influencing the structure and performance of any social or economic institution such as a business enterprise. Consequently, this study adopted a combined objective and 'participatory' approach in collecting relevant data on the various public and private sector enterprises selected for analysis. The participatory approach to be adopted in this study made it possible for the owners, the managers and the employees to have significant input in the findings. The approach is of a major significance in a developing country such as Nigeria where detailed, reliable data on the indicators of the performance of enterprises are not readily available. Even if they are available, there is great unwillingness to release such information for fear of excessive taxation. In such circumstances use of focus group discussion to be carried out informally as adopted in this study provided valuable sources of information on the various enterprises selected for this study. The success of this approach in this study will be relevant in at least two respects. In the first place, other researchers can adopt the same method in the study of business enterprises in Nigeria and this will enhance our knowledge of the factors influencing the performances of public and private sector enterprises in Nigeria. Secondly, the indepth knowledge obtained through open discussions with those involved in these enterprises can provide a basis for generalization or model building in the Nigerian context which will again be valuable to researchers and those involved in the management of public and private sector enterprises in the country.

Finally, the study has relevance for the future improvement of the performance of publicly owned enterprises in Nigeria in a number of ways. In the first place, the findings showed in an empirical manner the level of performance in public sector enterprises which can influence policy decisions on the improvement of productivity in public owned enterprises in the country. Secondly, the identification of key factors influencing improved performance of private sector enterprises will contribute to improving those owned by public agencies because the public sector will continue to play a major role in the Nigerian economy. Thirdly, the present policy of privatization of public enterprise in Nigeria could be influenced by the findings of this study.

1.4 THE SCOPE OF THE STUDY

Nigeria is a large country with a large geographical extent, business structure and a large population which a single researcher may not be able to cover within the limitations of available resources. In all the thirty-six states in the country and the Federal Capital Territory of Abuja, there are various private and public sector enterprises. For effectiveness, this study will focus on the three states of Edo, Delta and Anambra. The focus of the study on the three states is to ensure a meaningful analysis of the situation in a particular part of the country. Incidentally, the selected states are characterized by a variety of socio-economic phenomena which reflect the pattern in most parts of the country. In view of the fact that this study will not attempt to cover enterprises selected from all parts of the country, the findings and the associated generalizations can only be interpreted in their geographical and socio-cultural context (Udo, 1970). There is no doubt that business characteristics and performance are influenced by the environment in which they operate. The conclusions of this study can therefore be viewed in the context of the environment in which the study is carried out. It is our hope that a similar study on other geographical areas of the country will complement the findings of this study.

The study has focused on medium-sized enterprises in both sectors rather than large-scale ones. The future of Nigeria's economic development lies, in our view, on the development of medium-sized enterprises. The large multinational corporations and the large public enterprises have unique characteristics, which for the private organisations cut across various countries in the world, while for the public enterprises it is often difficult to isolate the social profits from the economic ones. In a study of this nature with limited resources, it is valuable to focus on the level of enterprises where the methodology of participation which is adopted can be effectively utilized. It could have been possible to focus on two private and public sector organizations and compare their performance but the approach will not be suitable. Furthermore, the concentration of this study on medium-size enterprises in both sectors has made it possible to select a variety of enterprises in the different productive sectors of the economy of the study areas.

As pointed out earlier in this study, performance evaluation can be accomplished by well known indicators such as profit, turn-over and growth over time, that is the sustainability of the enterprise. The emphasis of this study is to unearth the underlying factors which influence differences in the performance of various enterprises in the study areas. The study has adopted the philosophy that productivity is critical to the performance of an enterprise. The importance of this approach for the analysis of the performance of enterprises in a developing country such as Nigeria lies in the fact that the main concern is to identify the factors that need to be put in place in order to improve the productivity and performance of enterprises. In other words, the focus of this study is on the explanatory variables that influence the performance of enterprises in both the private and public sectors of the economy of the study area. If this approach is not adopted the objective of this study in terms of the identification of strategies for improving the performance of private and public enterprises, especially the latter, will not be realized. In other words the study has decided to focus on the internal structural arrangements of the enterprises which are designed to enable them operate successfully. Our postulation is that the nature of such arrangements in a given context affects the performance of the business enterprises. Chapter 2 of this study elaborates on this approach (Kopelman, 1986).

1.5 OVERVIEW OF THE NIGERIAN ECONOMY

1.5.1 The Economy Before 1960

Agriculture was the dominant sector throughout the period before 1960. In 1950, it accounted for 69.8 per cent of the Gross Domestic Product which decreased to 63.5 per cent in 1955 and rose slightly again to 65.8 per cent in 1960. Transport and Communications came next with 3.6 per cent in 1950, 6.3 per cent in 1955 and 4.1 per cent in 1960. This was followed by Construction which recorded 3.0 per cent in 1950, 4.3 per cent in 1955 and 3.4 per cent in 1960 (Federal Republic of Nigeria, 1962).

The Manufacturing sector consisted mainly of bakeries, oil milling, margarine, beer and soft drinks, tobacco, textile, rubber processing, tanning, saw milling and cement. The output of all these increased from $372,400 in 1957 $1,160,000 in 1960. Between 1950 and 1954, export prices rose very steeply. This was also positively influenced by the increase in the volume of export commodities in the post-world War II era. The export base remained diversified nationally in cocoa, palm produce and groundnut which were localized in the West, East and North of the country respectively. As such, revenues to the Government increased very rapidly, thereby giving a boost to public finance most of which went into accelerated development programmes such as in the provision of infrastructure in transport, agriculture, education and industry. It was this period of boom and fervid economic activity that gave a great impetus to not only foreign insurance companies, but others in other areas of economic activity to regard the country as a great attraction for overseas trade (Federal Republic of Nigeria, 1962).

Table 1.1

The Summary of major developments in sectoral distribution of Nigeria's GDP between 1957 and 1960

SECTOR	GDP AT FACTOR COST* 1950	1955	1960
Agriculture	69.8	63.9	65.8
Transport-Communication	3.6	6.3	4.1
Construction	3.0	4.3	3.4
Manufacturing	2.8	2.6	5.4
Government	2.1	2.6	3.5
Ownership of dwellings	1.3	1.1	0.9
Mining	1.1	1.0	0.9
Banking, Insurance, Real Estate	0.2	0.2	0.4
Wholesale and Retail	na	na	na
Electricity, Gas and Water	0.1	0.2	0.4
Other	16.0	17.8	3.2
Total	**100.0**	**96.3**	**101.8**

Note:
na = not available, * Figures do not necessarily add up to 100.

Source: Nigeria Labour Handbook, 1991, p. 20.

1.5.2 The Economy After 1960

For most part of the post-Independence era, trade along the British-Nigerian route was dominated by the British. Thus, the nation's exports went mostly to Britain and most of her imports were from Britain. Likewise, the "commanding heights" of the nations domestic economy was British-dominated. However, after independence, the situation gave way to other Euro-American and Asian participation. The economic activities then were centred around agriculture and industrial operations including production.

Agriculture:

From the colonial days to post-Independence era, much of the development strategy of the country was centered on developing her agriculture. At least, this was so on paper, for while agriculture remained government's priority, available data indicate a declining aspects of government's annual budgets on real agricultural production. It appeared that much of all the budgets were normally consumed by bureaucracy with only a muddling percentage getting to the productive activities in agriculture.

Even the introduction of River Basin Development Authority between 1970s and 1980 did not really help matters. Inspite of the huge amount of money that was sunk into the scheme, it had very little to show. There were various laudable attempts to use government farms as pilot schemes for the mobilisation of greater agricultural productivity throughout the country (Helleiner, 1966). Agricultural inputs were purchased for distribution to farmers, with the object of developing high-yield disease-resistant seedlings that would improve national agricultural production. Agricultural research institutes were established with extension services.

Unfortunately, even to date, most of these efforts are yet to meet much of the expectations of government on agriculture due in some instances to financial and management constraints. Nevertheless, efforts are still being made to realise the kernel objectives of the nation's agricultural policy. This policy was based on the realisation of the need to minimise the constraints on agricultural production, which include poor technology, manpower, inadequate capital, land use, etc. Under various programmes, measures were taken to provide modern technology, access roads, extension services, and other essential agricultural inputs . Of course, the success of such programmes would have given a boost to the nation and led to increased business opportunities for various sectors includig the insurance industry.

Industry:

After Independence in 1960, early industrial activities in Nigeria were concentrated in the area of mining and processing of raw agricultural materials for export. Examples of these were Timber and Plywood in Sapele, Tin Mining in Jos and Coal Mining at Udi. As the government at both Federal and Regional levels began to embark on industrialisation schemes, they found it necessary to encourage not only the private sector ownership of industries, but also the promotion of joint-ownership between the governments and foreign companies as a strategy for encouraging the in-flow of foreign capital into the country.

As such, while the existing foreign companies expanded, new ones sprang up with the result that the nation's industrial sector remained largely under foreign ownership and control. It was the grave consequence of this situation that made the promulgation of the indigenisation decrees of 1970s necessary. The decrees stipulated 60 per cent and 40 per cent equity participation respectively for Nigerians and foreigners in companies that operate in the country. The primary objective of the decrees was to restructure the balance of payment position by wresting the control of the nation's economy from the hands of foreigners (Federal Republic of Nigeria, 1972). As time went by, the nations's industrial policy became more clearly defined with its underlying principles being to achieve and maintain healthy balance of payment positions, reduce the rate of inflation, accelerate growth in domestic production with a view to expanding the supply of home made goods and services, mobilise domestic savings to facilitate the expansion of domestic investment and raise the level of national development and maintain social stability. Today, Nigeria's industrial climate has advanced very far from the few agricultural product processing activities of the early post-independence era, to a level where the manufactured goods produced by the industries enjoy the extensive outreach to other countries especially on the West African Coast.

Production:

The present day robustness of the Nigerian economy is particularly influenced by its richness in petroleum (including natural gas) which form over 90 per cent of the country's total exports. Nigeria's natural resources are varied and extensive. Her tremendous mineral resources located in the various parts of the country are among the largest in Africa. All these minerals, most of which are yet to be explored, form the backbone of the nation's industrial future.

Oil reserves alone are estimated (1989) at 17 billion barrels and natural gas at 2.6 billion cubic metres. The oil boom of the 1970s created for the country a base for rapid development in commerce, trade and industry. It formed the bulwark of the massive investments which the country embarked upon within the period, in the provision of socio-economic and industrial infrastructure, while the existing ones were expanded. A greater road network across the whole country was provided. More airports were built. Huge investments were made on provision of modern telecommunication system and on electricity supply. The consequent narrowing down of the responsibility of the government to creation of enabling environment and infrastructure opened a new vista to private investors' participation in the economy. Although the recession that beset the country from the beginning of the 1980s, starting with the dramatic fall of the oil prices, adversely affected the progress of the economy, the country continued to hold a great attraction to local and foreign investors.

Moreso, the Structural Adjustment Programme (SAP) which was embarked upon from the beginning of the second half of the 1980s began to remove many of the structural distortions which the many years of near total rigid economic control regime had brought into the economy. Based on the philosophy of creating an environment for national self-reliance, SAP sought further to remove the state, that is the government, from the centre of economic activity, remove or at least considerably whittle down, the control regime, and thereby give free reins to the promotion of economic activities under a liberated economic system, **(Federal Republic of Nigeria, 1986)**.

Under this system, many of the state-run public enterprises were sold off to the private sector or brought under a new "commercialization regime" aimed at removing the waste that was said to have resulted from the inherent weaknesses in the government's control and management of such enterprises. At least, the commercialisation policy was adopted as an interim measure before the eventual privatization of such enterprises. This was indeed a complete U-turn from the nationalist-based economic policies that were pursued from the first national development.

1.5.3 Development of Planning and the Economy

The second national development plan which was launched shortly before the civil war was based on the post-war principles of reconstruction, reconciliation and rehabilitation. The Plan Project was estimated at N3,192 million for capital expenditure between 1970 and 1975. This was expected to raise the gross national output in real terms from N3,028 million in 1970 to N6,987 million in 1974. It was based on a projection of an average annual economic growth rate of seven per cent. However, the actual performance of the economy turned out to be much better than these projections. Actual GDP at 1974-75 factor cost rose from N9.442 million at an average growth rate of 8.2 per cent per anum. The gross fixed capital formation rose from N844.9 million in 1970 to N1,745.9 million in 1974. The bulk of gross fixed capital formation was in building and reconstruction of facilities which had been destroyed during the civil war **(Federal Republic of Nigeria, 1975)**.

During the third national development plan, short-term objectives were added to the old long-term development objectives. Some of these long-term objectives included the increase in per capita income, improved even income distribution, reduction in unemployment level, increase in high-level manpower supply, diversification of the economy, balanced development and progressive indigenisation of economic activity **(Federal Republic of Nigeria, 1975)**.

It was the resolve of the government to direct its fiscal, monetary and income policies towards economic growth and development, price stability and social equity. The government believed that mobilisation of domestic savings and foreign exchange was unlikely to constitute a major problem in all the five years. Therefore, it directed its fiscal and monetary policies towards inflation control and equi-distribution of income. Promotion of co-operation on sub-regional and international levels was also part of the objectives of the plan for the primary purpose of economic integration of West Africa **(Federal Republic of Nigeria, 1975)**.

By 1980, the official take-off year for the Fourth National Development Plan, the national economy seemed to have been comfortably on course. What had become worrisome though was the dependence of her external trade on oil. The plan projected that the GDP at the 1977 factor cost would increase from N36,078 million in 1980 to N51,017 million in 1983, at an average of 7.2 per cent per annum. The leading growth areas included Manufacturing, Utilities, Transport, Communications, and other services. The plan anticipated a balance of payment problem. For instance, while import was projected to grow annually by 12 per cent, exports would grow by 7. per cent annually **(Federal Republic of Nigeria, 1981)**. The consequence of the balance of payment problems which was far-reaching on the insurance recognised the need for the insurance industry to modernise its operations. It pledged to encourage them to modernise its services so as to enhance efficiency of the sector and raise the level of public confidence in insurance companies.

1.5.4 **Problems of the Economy in the 1980s**

By the mid-1980s, reality had dawned on the nation's economy. The country had, even since the beginning of the 1980s entered difficult times. Scarcity of foreign exchange had set in. Retrenchment of workers was rampant on both private and public sectors. There was a very high level of unemployment, affecting both skilled and unskilled manpower, inflation, and low levels of plant capacity utilization. The socio-economic difficulties, the origin of which was generally traced to the global economic recession which opened with the decade of the 1980s, had earlier forced the Federal Government under President Shehu Shagari to embark on an economic stabilization emergency programme, generally called the Austerity Measures **(Federal Republic of Nigeria, 1986)**. For the attainment of self-sufficiency in food production, the government also launched its agricultural programme called Green Revolution. Yet the accompanying socio-political instability of the time curtailed serious commitment to the pursuit of the efforts, with their consequent failure. From the end of August 1985 following the change of government from Muhammadu Buhari who had taken over from President Shagari in 1983, to General Ibrahim Babangida, the Federal Government began to institute a comprehensive plan of action to restructure the nation's economy. As a result of this, there was an increased momentum towards self-sufficiency and self reliance.

The difficulties persisted in 1986. Since the country had thus far almost entirely depended on oil, the continued misfortunes of the global oil market continued also to inflict dire consequences on the nation's economy. Moreover, industrial capacity utilization decreased considerably, while accelerated inflation and unemployment remained the sore points of the economy. It was against this background that the government began to pay attention to a clear scrutiny of the structural defects which economic analysts had deduced in the economy. This led to the formulation and adoption of economic reform measures which were packaged under the Structural Adjustment Programme (SAP). It was under this economic regime that the government introduced Second Tier Foreign Exchange Market (SFEM) in the last quarter of 1986. The measure created liquidity problems and led to incessant fluctuation in the value of the Naira in the market. The situation created difficulties for companies as their projections and planning became disrupted by the rather unpredictable value of the Naira, (Obadan, 1993).

Much as 1986 was particularly difficult for the Nigerian economy, 1987 proved even worse. The World economy remained depressed. There was a high rise of inflation in various parts of the world, made worse by the depreciation of such currencies as the U.S. Dollar to which other currencies like the Naira were invariably closely tied. The year was the first full operating year of SAP. The year 1987 proved to be the first litmus test of the validity and relevance of the reform measures contained in SAP. In that year, the overall performance of the nation's economy showed some improvement over that of 1986. This was reflected in the total output of goods and services which indicated a moderate increase of 1.2 percent in real terms as against a decline of 2.1 percent in 1986, (Phillips, 1987).

The balance of payment out-turn also moved from a position of deficit of ₦796.4 million in 1987. The domestic price level however took an upward turn as it grew by 10.2 percent in 1987, compared with 5.4 per cent in 1986. The upward movement of prices in that year necessitated the revaluation of insured properties in order to mitigate under insurance in view of rising price level and reductions in the value of the Naira. SAP continued in 1987 with hardly any significant improvement in the country. However, the government continued to propagate the principles of SAP, especially in the areas which affected industries' local sourcing of their raw materials and export promotion. They were expected to become "inward-looking" in generating raw materials. This presented the Insurance Industry with high values of risks which were occasioned by the depreciation of the Naira against foreign currencies. Thus, the economic difficulties continued well into 1991, the fifth year of the Structural Adjustment Programme (SAP) in Nigeria. In that year, the government decided to peg interest rates at a ceiling of 21 per cent. Additional incentives were introduced for exporters while measures were taken to ensure better management of foreign exchange resources. The government also stepped up measures to attract foreign investors into the economy. Unfortunately, the measures did not, in reality, produce the desired effects. For instance, the anticipated budget surplus for the year could not be achieved. The year ended with a deficit of nearly ₦20 billion. Thus, inflation rate rose steeply from 7.5 per cent in 1990 to 9.0 per cent in 1991 (Obadan, 1993). In addition to this, the pressure on foreign exchange due to increasing demand contributed to the sharp decline of the value of the Naira against foreign currencies. Although growth was recorded in some sectors, the economic environment did not encourage real development in manufacturing, agriculture and other industrial production areas. Yet the nation's balance of payment position improved slightly, particularly due to the continued growth of the oil sector. By 1992 the introduction of multiple changes in policy and fiscal regulations led to further decline. Agriculture and Manufacturing sectors recorded poor results. Inflation continued to escalate (Obadan, 1993). National currency was devalued by almost 80 per cent on March 5, 1992, as a result of an effort by the Federal Government to bridge the gap between the official rate of exchange and the parallel (black) market rate. As it turned out, the gap further widened once the measure was taken. All these give a summary picture of the economic difficulties which have affected public and private enterprises since the beginning of the 1980s. These difficulties pose new challenges to the enterprises with a corresponding high demand on the creativity and ingenuity of operators to fashion out new strategies by which to confront the challenges.

1.6 THE EMERGENCE OF PUBLIC SECTOR ENTERPRISES IN NIGERIA

The Nigerian economy as reviewed in the preceding sections of this chapter was, during the colonial period, largely private sector based. The involvement of the public sector became significant during the period after independence. Even then there has recently evolved policies of privatization of some of the public sector enterprises. It is essential to outline the trend in public sector involvement in the economy of the country in order to appreciate the important role the sector has played in the country's economy.

The evolution of public sector enterprises often takes one of two forms. Firstly, they could evolve from local calls, or response to ad-hoc economic crisis - specific shortage, flagrant abuse of monopoly or oligopoly powers by private producers, economic bottle-necks and scarcities, apparent market failures in resource allocation, etc. These economic crises create socio-economic conditions which justify public intervention.

Secondly, the evolution can take the process of a carefully planned body of ideas.

The issues involved - management, finance, control, pricing, etc., are examined, studied and defined in advance. The primary interests of the society are pre-determined and postulated (e.g. on welfarism). Philosophically, this proposition theoretically represents the utilization principle which makes for the satisfaction of societal wants at the expense of public authorities (Shepherd 1976). The synoptic approach is concerned with the question of resource allocation and use.

The evolution of public sector enterprises in Nigeria which dates back to the pre-colonial era has been characterized by these two processes. During the pre-colonial period in most Nigerian community for example land for farming was commonly owned and used by the community. Thus access to land was easy to all members of the community. Remarkable changes also changes also took effect in the pattern of production during the period of British colonial administration. With the new range of goods demanded by the international commerce and the new forms of administrative and financial institutions attendant upon it, colonial impact also simultaneously gave impetus to the emergence of capitalist social formation.

The railways were probably the first major example of public sector enterprises in Nigeria. At first, conceived mainly in terms of colonial strategic and administrative needs, they quickly acquired the dimension of welcomed economic utility for transporting the goods of international commerce. Given the structural nature of the colonial private ownership and control of the railways in the metropolitan countries, it could hardly be expected that the Nigerian Railways Corporation could have been started other than as a public sector enterprise for such mass transportation.

The colonial administration built the nucleus of necessary economic and social infrastructural facilities that private enterprise could not or would not provide: railways, roads, electricity, ports and harbours, waterworks and telecommunication. Social services like education and health were still substantially left in the related hands of the Christian Missions. But even at this early stage government itself moved positively into some of the directly productive sectors of the economy: the stone quarry at Aro, the colliery at Udi and the saw-milling and furniture factory at Ijora. True, the products of these plans were still substantially meant for the demand of the public sector itself, but there was little basic in their conception, structure or operation to confine their activities to such a straight-jacket. Government conducted agricultural production research, demonstrated and propagated improved production techniques, establishing farm extension services and attempted modest organized marketing institutions. As early as the 1920s, it had erected cotton grinneries at Gusau and Challowa, as well as a rice hauling factory at Sokoto. Even in the dark slump days of the 1930s, it established boat-building yards and marine shops, and laid the groundwork for the beginning of civil aviation (Aboyade, 1974).

In spite of these early state involvement in production, the hey-days for the establishment and expansion of public enterprises in Nigeria was the period between the end of the Second World War and the achievement of political independence. Beginning with the famous Commodity Produce Marketing Boards of the 1940s, both the central and all the regional governments created a plethora of public institutions to foster general development beyond providing the conventional scope of public utilities. By the middle of the 1960s, the range of Nigerian public enterprises had stretched from farm organisations to manufacturing, from municipal transport to mining, from housing to multi-purpose power, and from trading to banking and insurance (Aboyade, 1974).

The emergence of the crude oil industry into the Nigerian economy after the civil war in the 1970s with the associated boom, intensified public authorities' involvement in the Nigerian economy. One major aim of government at that time was to convert as much as possible the growing oil revenue into social, physical and economic infrastructural investment. The Nigerian Enterprises Promotion Decree of 1972 which took effect from 1st April, 1974 with its subsequent amendment in 1976, provided a concrete basis for public extensive participation in the ownership and management of enterprises. Given these developments, public enterprises at the federal level had exceeded 100 in number by 1985 and these had spread over agricultural, energy, mining, banking, insurance, manufacturing, transport, commerce and other services activities.

At the state and local government levels, the range of activities that has attracted public sector investment has been quite large. Thus, a variety of enterprises with public interest in terms of majority equity participation or fully owned by state and local government as well as other government parastatals came into existence in various parts of Nigeria.

The literature on the organizational problems and operational performance of public sector enterprises is a rich one and is still growing (Helleniner, 1966; Teriba, 1966; Kilby, 1969; Aboyade, 1974). What has generally emerged from these diverse studies, analyses, reports and comments can be characterised as a story of disillusionment. Whatever, the laudable aims, and however high the hopes at initiation, one after another, the Nigerian enterprises have performed over the last two decades in a way that can only be described in polite language as disappointing. Not only has there been a low (indeed, often a negative) return to capital invested, the low quality of management has compounded the high incidence of direct ministerial intervention in routine operation of the public enterprises. Poor internal administration and the pursuit, by arbitrary outside pressure, of non-economic policies of government had meant inadequate (and sometimes patently defective) pre-investment studies, even in many cases of so-called joint ventures. The extensive use of contractor finance and supplier's credit resulted not only in large leakages of public funds but hampered the operational viability of many public sector enterprises through an overburdened and unrealistic capital structure.

Admittedly, the degree of poor performance by public enterprises in Nigeria was unnecessarily high, and could obviously have been reduced if not eliminated, by a more honest political and bureaucratic leadership. But the story of disillusionment with Nigerian public enterprises is not only paralleled by the contemporary experience of other underdeveloped countries, but would seem to be part of a basic disenchantment with public sector enterprises in general. Because, even in the advanced industrial countries and especially in the liberal economies of Western Europe (including Britain), the actual performance experience of socialized industries is accepted even by the protagonists of public sector enterprises system as falling far short of expectation. Although a greater proportion of these cases do show economic and even financial surpluses than in Nigeria, they have scarcely realised the earlier hopes of safeguarding the interest of consumers against the hated discretionary behaviour of private monopoly. Nor have they much demonstrated the expected sense of civic responsibility, consistent with promotion of the public interest and of harmony between the potentially conflicting interests of capital and labour (Aboyade, 1974:31).

The problems of non-performance of the public sector enterprises in Nigeria were further complicated by the down-turn in socio-economic development in the country due to the global economic recession and the collapse of the oil market. Thus, Nigeria's precarious fiscal and monetary posture could no longer sustain the requirements of its public sector enterprises, more so as they perform below expectation in terms of their returns on investments and quality of services.

It is against this background that the Structural Adjustment Programmes proposed a kind of reform which would affect the goals, administration and management of most of the public sector enterprises for purposes of efficiency **(Federal Republic of Nigeria, 1986)**. Under the reformation scheme, public sector enterprises are expected to be classified into three broad categories:

(a) Fully privatized or partially privatized.

(b) Fully commercialised or partially commercialised.

(c) Retained as public sector institutions.

Whereas SAP has shown the broad categories under which the public sector enterprises can be grouped, it has failed to actually classify the existing enterprises into their real groups under acceptable criteria. Besides, it has also failed to provide the modalities for commercialization, privatization and retention as public sector enterprises.

Despite the efforts to reduce the number of public sector enterprises in Nigeria in recent years, the political and socio-economic factors which have led to their emergence in the Nigerian economy will continue to sustain the existence of a significant number of them for many years to come. It is important therefore not only to monitor the performance of these enterprises but also to find out why they do not perform well when compared with private sector enterprises.

Furthermore, the performance of some public sector enterprises has direct effect on the performance of the enterprises in the private sector. If the supply of electricity is unreliable, water supply is short and telephones do not work, then industries can hardly be expected to attain any meaningful level of productivity and the marginal productivity of resources committed to such enterprises may become negative.

CHAPTER 2

THEORETICAL FRAMEWORK

2.0 INTRODUCTION

The Literature on the management of organizations such as business enterprises is replete with a variety of generalizations. This is a reflection of the fact that business organizations, no matter how much they claim that they are unique, have certain common characteristics. Some may have similar problems which require unique solutions because of diverse contents. No matter the size or complexity of organizations, however, they all operate on defined objectives or philosophy which though flexible, lead consistently to the achievement of desired goals, or mere attempts in that direction. Indeed, one cannot overemphasize the fact that all organizations have regulations.

It is in this context that this chapter attempts to provide a theoretical background for the analysis of the management practices of private enterprises in Nigeria. The first part of the chapter reviews some of the dominant generalizations on management practices in business organizations that have been expressed in the literature over the years, while the second part proposes a specific conceptual framework in which the key variables relevant to the analysis of management practices and performances of private and public sector enterpriese in Nigeria are articulated.

2.1 THE EVOLUTION OF MANAGEMENT THEORY

For a long time the attention of scholars and business executives have been focused on the identification of general principles which should determine the most effective and productive way of the organization of business enterprises. As a result the early generalizations on the management of organizations comprise a variety of propositions focusing on different aspects of the efficient management of enterprises. The four main areas of school of management thought provide for the better understanding of, amd determining what is relevant in the management process. The theoritical approaches of scientific management school, the classical organization theory school, the behavioural school and the management science school coexisted and tended to complement one other with their various approaches.

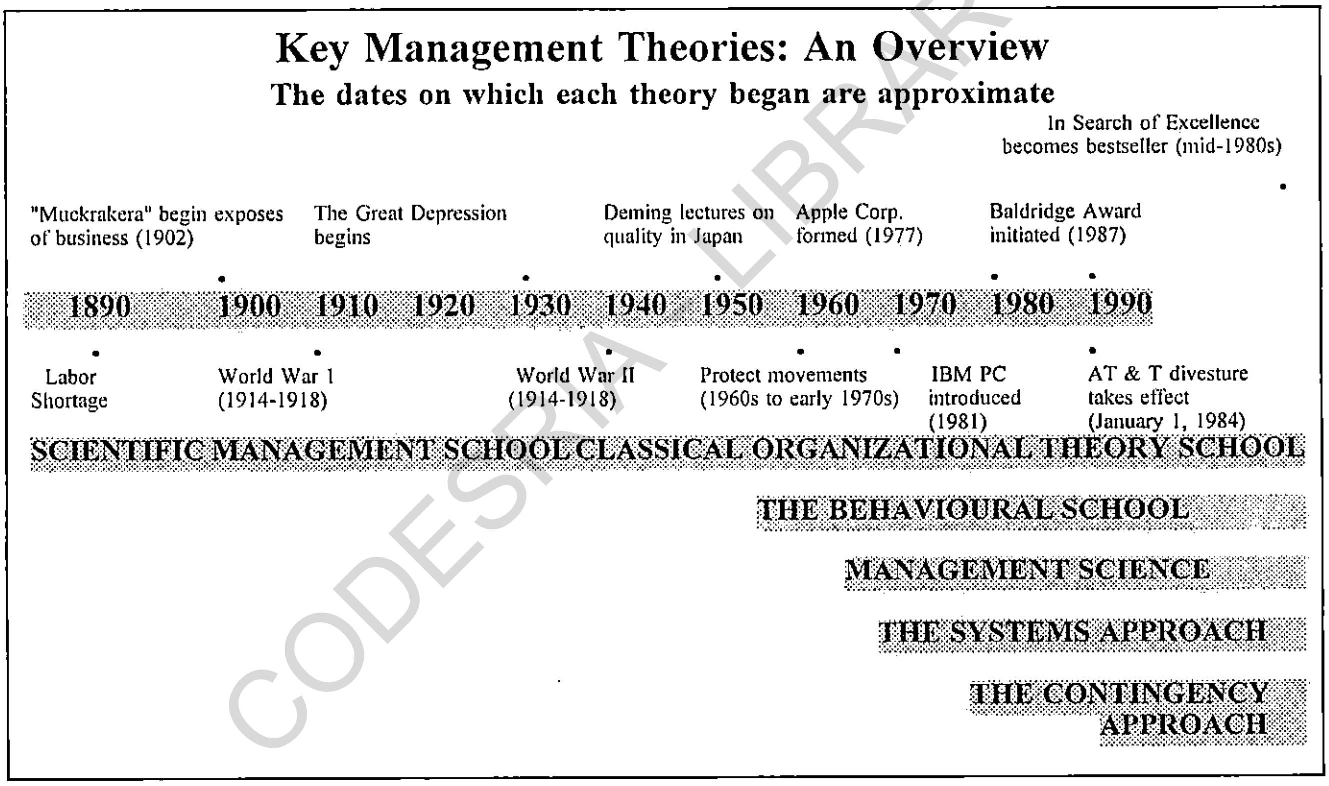

Fig. 1.1 An overview of Key Management Theories:

Source: Stoner James, Freeman Edward and Gilbert JR. Daniel **Management** Prentice Hall Englewood Cliff New Jersey 1995.

In Figure 2.1 Stoner et al (1995) outline the various theoretical perspectives of the different schools of management or thought as well as the approximate dates of their emergence.

Scientific management arose out of the need to find the practical solution to the problem of efficiency in the work place, the need to increase productivity through the effiency of workers. Fredrick Taylor (1856-1915) and his associates used this scientific approach to determine scientifically the best method of performing any task, and for selecting, training and motivating workers.

The classical theory of Henry Fayol (1849 - 1925) emerged out of the need to find some guidelines for managing complex organizations. Fayol believed that management practices can be categorized into defined patterns which can possibly be identified and analysed. He was concerned with total organization.

Max Weber (1964 - 1920) considered an ideal organization as one with defined line of authority. He developed a theory that emphasized bureacracy as the best form of organization designed according to rational principles to achieve maximum efficiency and also stressing the need for a strictly defined hiearchy.

Mary Parker Follett (1868 - 1933) introduced many new elements on the basic framework of the classical school. She believed greatly in the power of the group and held strongly the view that no one could become a whole person except as a member of a group.

Chester I. Barnard (1886 - 1961) argued that efficiency and survival of an enterprise depends on how well the organisation's goals are kept in balance with the need of individuals working in that organization generally.

The classical theory of business organizations comprises a series of principles articulated on how best to build up the formal structure of an organization to achieve maximum productivity and efficiency. The main components of the classical theory of organization include division of labour, hierarchy of authority, unity of command, span of control and exception principle.

Management theories got an initial boost by the godfather of good old capitalism, Adam Smith, when he advocated the division of labour. This approach turned human beings into machines forever fixed in trades and tasks. To Adam Smith, the division of labour was limited only by the extent of the market. He found that the sub-division of tasks made overall production faster because by such breakdown, you could grab the market to your statisfaction. The division of the task of the organization may be done on the basis of function, product, territory or time. Having divided the work and assigned each component part to an individual, it was necessary to ensure coordination. The role of coordinating the activites of the component parts of the organization was the responsibility of the managerial hierarchy, that functions on the basis of the scalar principles, which states that authority and responsibility should flow in a clear unbroken line from the highest executive to the lowest worker. On the other hand, the unity of command principle emphasizes the fact that no subordinate should receive instructions from more than one superior, while the principle of span of control prescribes that the number of subordinates reporting to a superior should be limited to five or six. The exception principle specifies that decisions of a routine nature should be delegated to subordinates while those of a non-recurring nature which are considered important should be referred to superiors.

One of the major principle underlying the postulates of classical organization theory is that there are predetermined goals which must be achieved. It assumes that this goal-seeking behaviour permits all activities, and ensures that the norms of rationality guide all organizrional activities. This implies that the decision-maker is fully aware of all the alternatives open to him/her as well as the consequences of each alternative. Consequently, all decisions are rationally made and administered with the predetermined goals in mind. The Classical theory also sees people as having, and acting rationally to maximize their economic gain.

It is the assumption underlying the formulation of classical theory that have led to their criticisms over the years. One of these critisims has been the fact that classical organization theory is not rigorous enough to facilitate the empircal testing of their propositions. They are therfore difficult to apply in concrete situations. More importantly, the classical theory has been critisised for their mechanistic nature. They tend to ignore the non-rational elements in human behaviour. One of the greatest critics of classical organization theory is Simon who advocated that the rationality assumption of the classical theory is unrealistic in view of the fact that in the real world, the decision-maker has only a limited knowledge of the alternatives and their consequences (Simon, 1976). Despite the various criticisms of the classical organization throry, it provides some insights into the nature of organizations. The principles articulated in classical organization theory continue to provide broad frameworks for research on organization, especially in devloping countries where specific data are not available.

2.1.1 Neoclassical Theory

The neoclassical theory attempts to respond to the criticisms of classical theory by shifting emphasis to human factor in enterprises. The ideas and techniques of scientific management attracted hostile reactions from workers and their unions. One important feature of the neo-classical theory was its empirical basis. Scholars who underwent training in sociology, psychology and related fields tried to use their diverse knowledge to articulate more effective ways of managing people in organizations. The school laid major emphasis on the people side of the organization. The management sciences school approach the management problems through the use of mathematical techniques.

Although the neoclassical theory did not necessarily reject the classical doctrine, it focused on elements which were not addressed by the classical theory. Neoclassical theory did not conceive of an organization as simply an economic system, but also a social system (Schetty and Carliste, 1972; Strauss, Miles, Snow and Tannenbaum, 1976). It therefore argues that the output of an organization is not determined by the physical capacity of the worker alone but by his social needs as well. The individual has need for self actualization and seeks jobs which would enable him to use his capacities and skills. External controls and incentives may become dysfunctional. There is high probability that employees could voluntarily integrate their goals with those of the organization if given the opportunity. It is in this context that neoclassical theory, therefore, suggested that jobs should be divided to give individuals more meaningful work, such that they have a feeling of control and influence over the work they do. Neoclassical theory predicited that policies which enhanced more effectve communication, encouraged supportive or democratic supervision and enabled lower ranks to participate in decisions, especially those that affected them directly, would ensure a satisfied workforce and higher productivity and co-operation (Liert, 1961; Argyris, 1964).

The neoclassical theory has also been criticised for being excessively prescriptive. The theory is faulted for emphaizing one best way to organize a business. The argument that participative techniques for example, can always achieve worker statisfiaction and productivity irrespectve of the issue of state, is unrealistic. It has been pointed out that worker satisfaction or high morale is not always associated with high productivity, low absenteeism and turnover also affect productivity. As in the case of classical theory, the neoclassical theory has made a significant contribution to organization theory, despite the various criticisms.

2.1.2 Systems Theory

The systems theory of organization is an attempt to integrate the various factors influencing the structure and performance of organisations. It has its origin from the General Systems Theory pioneered by Bertllanfy (1956), Boulding, (1965), and Rapoport and Horvatt (1959). The major idea of the General Systems Theory is that all human and physical phenomena can be examined in terms of relationships, structure and interdependence rather that the constant attributes of objectives (Baker, 1973).

Thus, the systems theory views an organization as a set of interdependent and interacting subsystems forming a unitary whole. In other words, an organization is conceived of as comprising of elements or units called subsystems which are interrelated and interdependent with other subsystems, all functioning together as a cohesive whole. The structure of organizaion is created by numerous subsystems arranged in a hierarchical order wherein the output of the smallest subsystem becomes the input of the next level of subsystems. Various sybsystems in the organization are identified depending on the orinentation of the analyst. For example, while Leavitt (1965) identified the subsystems of people, structure, technology and management, Sccoot (1961) listed the individual, the formal structure, the informal organization, status and role patterns and the physical environment as the important subsystems. For Katz and Kahn (1966), the subsystems were production or technical subsystems, supportive subsystem, maintenance subsystem, adaptive subsystem and managerial subsystem. Whatever definition is given to the subsystem in an organization, the issue is to understand the nature of the interrelationships and interpendence among the identified subsystems. The system is kept as a unitary whole by various types of interaction that take place within it. These include communication, social interaction, decision-making, the distribution of authority, the development of organization roles for people and the establishment of the agreement on goals (Lundgren, 1974). These processes facilitate the achievement of the common goals of the organizational system as well as accommodate the diverse interests of its subsystems (Inegbenebor, 1990:44).

Unlike many other systems, social organizations are generally open systems, and interacting with othr systems which constitute their external enviroment (Katz and Kahn, 1966). Being open systems, organizations must respond, adapt to, and cope with their relevant environment in order to achieve their goals. For example, organizations, as open systems, are characterised by their dependence on energy (manpower, raw materials, machinery, etc) from the external environment which they transform and subsequently export to the environment thus providing energy input for other systems. To survive, organizations need to maintain this pattern of exchange of energy and, through a negative feedback process, achieve a steady state. The functioning of the organization is therefore not only a product of the interactions and interdependence of its subsystems, it is also influenced by the nature of the external environment and the exchange relationships that are sustainined among them.

Although systems theory of organization is an elegant proposition, it has been criticised on the grounds of its application to specific situations. At best it serves as a broad framework because the theory fails to specify the precise relationships among variables (Hhandwalla, 1977). However, it is believed that the systems concept provides the basis for an integrative and adaptive organization. It is also pointed out that the systems concept improves control in the organization.

2.1.3 The Contingency Approach

This is yet another school of thought that is practical response to the management situation. This view, sometimes called situational approach, attempts to determine predictable relationship between one situation and another; explaining that a method which may be applied successfully in one situation may fail in another. The contingency approach challenges the managers to first identify which technique will, in a particular situation, for particular circumstances, best contribute to the attainment of organizational goals. While the systems theory emphasizes the interrelationship between parts of organization, the contingency approach attempts to build on the relationships already existing between these parts and units. According to the theorists, it should be the concern of the managers to determine how well a particular solution fits in a situation with particular reference to the structure, resources and goals of an entire organization. Conquesently, decisions ought to be made, for instance, to increase productivity through work simplification or through job enrichment program and the needs of the workers. They concluded, therefore, that if top management should oppose increased simplification of work due to policy implication, then work simplification may not gain support unless the environmental factors are considered.

In a depressed economy like that of Nigria, job enrichment program may be too expensive, or even have unpredictable outcome. The contingeucy approach therefore expects managers to take into consideration all the prevalining and realistic factors when taking a decision.

Critics of the contingency theory are of the view that the throry has not necessarily broken new grounds especially as it does not incorproate all aspects of the systems theory.

The proponents of contingency theory however, hold very strongly the wisdom which underlies this special approach to management is the awareness of the various complexities that exist in the organizational environment.

2.2 THE CONCEPTUALIZATION OF THE DETERMINANTS OF AN ORGANIZATION PERFORMANCE

The review of the theoritical literature as presented above provides the background for the identification of the key indices that can be used to evaluate the performance of enterprises in the public and private sectors of the Nigerian economy. These are outlined in the remaining part of this chapter.

2.2.1 Reward Systems

Rewards and incentives in general contribute immensely to strategy implementation by shaping the behaviour of organizational participants. One of the major factors influencing the performance of an organization is the effectiveness of the reward system in terms of motivating workers for high productivity. There are basically two major traditional reward systems that have been used by organizations over the years.

2.2.2 Individual Output-based and Time-based Reward Systems: First is the individual output-based and time-based reward systems. There is a long history of paying workers for measured output. During the reign of Nebuchadnezzar, King of Babylonia (CG.600 B.C) spinners and weavers were paid based on their production. The Chaldeans during the fourth century B.C. also used piece-rate pay. And nearly 2000 years later at the arsenal of Venice piece-rate pay was the rule in the making of oars, day wages however, were paid to those who fastened exposed timbers and planks (George Jr: 1968:10-11). On the other hand, time-based pay which could be hourly, daily, weekly, monthly and annually also has a long history of application in enterprises in different parts of the world. The question is which one of these two is more effective in stimulating increased productivity among workers? A survey of the literature shows that consierable research has been carried out concerning the effectiveness of output-based pay in comparison with time-based pay (Nash and Caroll Jr: 1975). The findings of these empirical studies show that individual out-put based reward systems tend to raise productivity in comparison with time-based reward systems. As pointed out by Fein

(1977:12-13) "pay tied to productivity is the most powerful motivator of improved work performance" in the sense that from the floor sweeper to the managing director all employees raise their productivity when their pay is tied to performance.

Although the individual ouput-based incentive plans generally raise productivity, its widespread use is constrained by the fact that it is suited to jobs that are highly repetitive, that are employee-based (rather than machined paced), that are performed on a relatively independent basis (i.e. stand-alone jobs) and that outputs are such that can be tested for quality and if found acceptable counted (Kopelman, 1986:37). The use of individual output-based reward systems has declined considerably in the advanced countries because of the changing patterns of production whch is largely technology based. As the complexity of work has increased, there has been a concomitant increase in technical, professional and managerial jobs which typically do not yield uniform, countable outputs. In a developing country such as Nigeria however, output-based reward system is still relevant in some of the prevailing production systems. Consequently the nature of individual based reward system being used by an enterprise in Nigeria is an important indicator which can be used to monitor the performance of such an enterprise.

2.2.3 Individual Judgement-Based Merit Reward Systems

Apart from fixed time-based reward systems which appears to be predominant in most enterprise, one approach to rewarding performance among white-colar employees is the judgement based merit reward system. Generally some form of rating scale or ranking procedure is used to evaluate individual job peroformance, and this evaluation is used to determine various organizationally mediated rewards such as salary increase, annual salary increments, promotion, accident bonus and confirmation of employement. The rationale for these approaches is based on the fact that once performance is the basis for rewards, it will influence productivity of workers. If all employees recieve the same salary increase and other rewards, they will obviously not be equally satisfied. The most productive employees will tend to be the least satisfied and the most likely to quit the establishment. In contrast, the least productive employees will tend to be the most satisifed and the least likely, to quit. However, where performance is the basis for rewards, high performers will tend to quit. There is no doubt, therefore, that enterprises which tie pay more closely to performance will be better of in terms of productivity and overall performance than those which do not. One good example of judgement based systems that has been used by many enterprise in different parts of the world is the special one - time grants to reward performance. The one-time grant has five advantages: (1) it can be given for a specific contribution (2) it can be substaintial (not being spread out over 52 weeks), (3) it can be awarded soon after the specific contribution, (4) it does not make the extra pay permanent and (5) it increases flexibility in compensation administration.

Two major problems have been identified in the literature in connection with judgement-based merit reward systems. The first concerns the criteria for identifying the performance of workers objectively. There is the fear that managers may not be objective enough to identify workers who deserve judgement-based merit reward systems. If wrong people are rewarded, such remuneration can be counter-productive as efficient workers will be frustrated. A second problem relates to the fact that often differnces in merit pay increases are too small to motivate improved performance. If workers are to be motivated for higher productivity the reward arising from judgement-based merit reward systems must be reasonable.

Closely related to the judgement-based merit reward systems are the reward systems to reduce absenteeism. Many organizations in different countries are known to loose considerable productive hours because of absenteeism, consequently reward sysems have been devised to improve attendance behaviour. These have been in the form of rewarding attendance or punishing excessive absence. Empirical studies have shown that these approaches have had major impacts in the reducation of absenteeism in enterprises that have used them (Schmitz and Heneman 1980:87-93). In the Nigerian context, therefore, the degree to which enterprises use reward systems to reduce absenteeism is a relation of their performance.

Finally a variety of reward systems can also be used by enterprise to improve their level of performance. Empirical evidence indicates that *suggestion systems* can be used cost-effectively to generate good ideas, *non-financial* reward can be used to increase productivity, *merchandise gifts* can be used to improve workers behaviour; *flexible benefit plans* can raise the value of individuals' fringe benefits and *economic job security* may be a precondition for high levels of work and productivity. An organization can use more than one type of reward system to increase its worker's productivity and thereby improving its overall performance (Gregg, 1983:28; White 1983:54; Bolt, 1983:116-122).

2.2.4 Goal Setting and Management by Objectives

Goal Setting: Goals are plans expressed as results to be achieved. In the broad sense of the word goals include purposes, missions, objectives, targets, quotas deadlines etc. Although goals setting and management by objectives are quite similar, there are certain distinctions between the two interventions. The most obvious difference is in the target population; goal setting programmes are typically conducted for individual hourly employees; management by objective programmes are jointly undertaken for managerial and professional employees. The two forms of interventions are, therefore, important indicators for the evaluation of the performance of an enterprise. Empirical studies of the impact of goal setting indicates that the articulation of specific goals (for example produce 50 units per hour) leads to higher levels of achievement than vague goals or mere admonitions (for example, do your best, try your hardest). The studies also show that there is evidence that specific goals lead to higher levels of task interest than do vague goals. The research findings also show that difficult or challenging goals lead to higher levels of achievement than easy goals. This, however, depends on the acceptance of the challenging goals (Latham and Yuki; 1975:824); Latham and Kinne III, 1974, Latham and Yuki, 1976, Ivancevich, 1976). The positive effect of goals and intentions influence behaviour: a person who intends to do something does it. Consequently the introduction of a difficult but attainable specific goal can add meaning to work and increase the satisfication of performing well especially on a repetitive job. Also goal setting can engender informal competition between individuals and groups, adding to the social satisfaction, status, and respect of some workers. Further, the process of setting goals clarifies what management expects the workers to accomplish.

Management by Objectives (MBO)

As noted earlier the intervention called management by ojectives is similar to goals setting, but is far more comprehensive, involving many more activities than merely seting annual objectives for organizational units. While goals setting programmes have generally been used for individual with hourly workers, management by objectives integrates individual and group goals with the overall organizational goals and attempts to structure this relationship by involving all levels of management in the goals setting process. The approach was first proposed by Peter Drucker in his book, **The Practice of Management.** Since that time, Management by Objectives has spurred a great deal of discussion, evaluation and research (Stoner, *et al.* 1995). Management by Objectives has a formal set of procedures that begins with goals setting and continues through performance review.

Most effective MBO programs, according to (Carrol and Tosi 1971) share the following six elements:

1. Commitment to the program: At every level managers's commitment to achieving personal and organizational goal is required.
2. To level goal-setting: effective MBO programs usually start with the top managers who determine organisations's strategy.
3. Individual goals: Each manager and staff member has clearly defined job responsibilities and job objectives.
4. Participation: The greater the participation of both managers and employees in setting the goals, the more likely the achievement.

5. Autonomy in implementation of plans: Once the objectives have been agreed upon, individuals choose the means of achievement.

6. Performance review: Managers and employees occasionally meet to review progress towards the objectives.

Carroll and Tosi finally concluded that the very process of participation leads to increased communication and understanding between managers and employees.

Infact, empirical studies of the role of management by objectives on the performance of enterprises show some positive correlation. Management by objectives has been found to improve the performance measurement in organisations, improved managerial performance, increased workers productivity, improved workers participation and enhanced the articulation of goals. This shows that management by objectives is a key indicator for monitoring the performance of enterprises.

2.2.5 Staff Selection

The quality of staff recruited for particular responsiblities in an organization has a major impact on the production pattern of such an organization and hence on the overall perfoamance. This suggests the importance of selecting the right calibre of staff, which of course depends on the use of the appropriate method. There are three axioms that underlie the process of employee selection (American Psychological Association, 1980:4). These include the fact that:

1. individuals differ in many ways;
2. individual differences in personal characteristics and background are often reliably related to individual differences in behaviour on the job;

3. it is in the best interest of a business enterprise and its employees that information about relevant differences be developed and used in selecting people for jobs.

It is against this background that a number of methods have been developed to assist organizations in selecting the appropriate type of employee. Five of such methods are widely in use; tests, interviews, personal history data reference checks and realistic job previews. Empirical studies show that tests have the largest positive effect on the productivity of workers which indicates that it is the most valuable method for selecting employees for enterprises that want optimum output from its workers. The existing studies also show that personal history data and reference checks can also be quite valuable in raising productivity of workers, with the former technique being generally more effective than the latter. Indeed, evidence indicates that the use of personal history data in selection is superior to all major techniques with the exception of test and work samples (Stone and Ruch, 1974; Kravetz, 1981; Schmidt, *et al.*, 1978).

Finally, selection interviews have been found to be the least in terms of selecting the most productive workers. However, it is the most widely accepted and frequently used selection device. The research findings also show that if interviews are properly used, in whch case they are standardized, structured, comprehensive and objective, they can enhance the selection of productive employees.

What emerges from the above analysis is that the mode of employee selection has major impact in the performance of an enterprise. It is therefore a key indicator which must be used in the comparative performance evaulation of business organizations.

2.2.6 Training and Development

Training and development of the work-force in an organization are important elements in the improvement of its performance. Training programs are directed towards maintaining and improving current job performance while development programs seek to develop skills for future jobs (Stoner *et al.* 1995). The terms refer to planned efforts by an organization to facilitate the learning of job-related behaviour by employees. There are some differences between training and education. Generally, training implies a process whereby learned outcome can be specified in terms of particular behavioural responses. In contrast, if particular behaviours cannot be specified or if the training is expected to transfer knowlege to a variety of situations, the process can be classified as education. It has therefore been argued that whereas training narrows the range of responses among trainees, education broadens the range (McGehec, 1977).

Training serves three major purposes: development of skills, imparting knowledge and influencing attitudes. Ideally, training should be seen as an ongoing system, a process consisting of three phases. The first is the diagnostic phase or needs assessment stage, which should be carried out at the level in which the kinds of training needed are identified and the individual level in which those to be trained are identified. The second phase of the training process normally entails the provision of training which could be on-and-off-the-job rotation etc. Broadly speaking, each of the three purposes of training identified earlier implies a different training methodology:

(1) skill building implies an emphasis on practice;

(2) imparting knowledge suggests a presentation mode; and

(3) changing attitudes implies a high degree of participation (Godstein, 1974; Forster, 1977).

The third phase of the training process should entail the evaluation of training in terms of criteria derived from the first phase. Training should not be evaluated solely in terms of changes in knowledge, skills and attitudes; it is also important to measure success in terms of on-the-job performance. Finally, the results of the evaluation phase which could be in the form of participant reactions, measures of learning, behavioural criteria and end-result measures should be used to modify subsequent needs assessments and training interventions.

The importance of training as a component of an effort to evaulate an enterprise is explained by the fact that empirical studies have reported that training has considerable impact on productivity improvement. One major reason why training plays a significant role in an organization's performance relates to the fact that many approaches to productivity improvement require implementation by supervisory personnel who in turn need training. A review of the literature on the effects of training on the performance of enterprises provides the basis for the following six generalizations (Kopelman, 1986:110-111:

(i) Job-specific training programmes are generally more effective than general educational programmes.

(ii) Lengthy training programmes are generally more successful than short training programmes.

(iii) Programmes that entail practice and active participation tend to be more effective than those involving only passive training.

(iv) Programmes that provide feedback along with training tend to be more successful than those that provide training without feedback.

(v) Programmes that provide visual examples of effective job performance tend to be more successful than those that do not.

(vi) Management support for training is particularly important if a training programme is to succeed.

These six generlizations provide a yardstick for examining the relevance of an organization's training and the possible impact of such training on its overall performance.

2.2.7 Leadership

There are different definitions of leadership with varying connotations and degrees of emphasis. In summary, leadership can be defined as the ability to direct, influence and motiviate others to perform tasks in order to achieve a defined objective.

Leadership is an essential component of any organization. The motivation for hard work and effectiveness comes from the leadership of an organization. If leadership is effective it can motivate an enterprise to higher performance. The question is; what kinds of leadership behaviours are most promotive of group effectiveness? and how much control (power, participation, influence) should work group members be given?

A study by O'Reilly and Weitz (1980) has brought into focus the behaviours of leaders in an enterprise and how these have influenced the performance of employees. According to the study, some supervisors classified as having an <u>employee orientation</u> gave relatively few oral or written warning to employees who performed poorly. These supervisors typically allowed much time to pass before dealing with performance problems. They were also reluctant to terminate poorly performing employees. In contrast supervisors with a confrontative orientation gave more frequent oral and written warnings, allowed less time to pass between warnings and dismisal, and were more likely to terminate poorly performing employees. There is no dobut that leaders with employee orientation are not likely to motivate their enterprises to higher performance compared with those that have a confrontative orientation.

Another leadership behaviour characteristic which has been found to be associated with an organization's performance is active, hands-on involvement rather than distant order-giving, otherwise known as management by walking around (Ouchi, 1982). If a leader does not constantly monitor how people under him are operating, not only will they begin to wander off track but they will also begin to believe the leader is not serious about getting the work done. So management by wandering around is the business of staying in touch with the territory all the time.

Another aspect of leadership behaviour that has been identified as being conducive to organization's performance is behavioural consistency, because it is related to leadership effectiveness, especially where task demands vary. Apparently when workers must deal with an uncertain task situation, consistent leader behaviour enhances worker motivation and satisfication (Alday and Brief, 1977).

A final aspect of the leadership behaviour that influences the performance of organizations is the degree of control imposed on workers. A considerable body of literature has accumulated on the effects of participative decision making on group effectiveness. The vast majority of these studies conclude that increased worker participation in decision-making had resulted in increased productivity (Hinrichs, 1978; Ivance Vich, 1979).

2.2.8 Organization Structure

The term organization structure refers to the formal arrangements that exist in an organization, that is

(1) how jobs are defined and combined, otherwise known as specifization, formalization and departmentlization.

(2) the distribution authority, responsibility and control, and

(3) the size and shape of the organization.

Although the vast proportion of the studies pertinent to organizational effectiveness and performance relationships have yielded few consistent findings, there are some generalizations emanating from most of the existing studies (Dalton, *et al.*, 1980). The weight of evidence does suggest greater organizational performance if a number of structural dimensions prevail in such enterprises.

In the first place small unit enterprises generated greater performance than large ones. Peters and Waterman (1982) found that the small unit was more effective because its was better motivated than those in large facilities. A second explanation was also advanced: small size leads to rapid action which accelerates learning; in contrast, large size entails high costs of communication and decision making which often overwhelm technologically determined economics of scale.

Secondly, enterprises that have a relatively few hierarchical levels are reported to experience greater organizational performance than those with many hierarchical ones.

Thirdly, in enterprises where administrative intensity is controlled, that where ther is the absence of many deputy assistants or staff specialist, performance has been found to be better than those with high administrative intensity.

Fourtlhy, enteprises which do not have too complex structure horizontally, that is has a limited number, are reported to perform better than those with very complex structure.

Fifthly, it has been reported that organizations in which managers have relatively wide spans of control, that is, a large number of subordinates, performance has been found to be higher than those with limited spans of control.

Finally, empirical studies show that where technology is relatively non-complex and the environment relatively stable, centralization of decision-making and a higher degree of formlization promote efficiency. However, where technology is complex and the environment turbulent, organizations must be innovative, hence decentralization, reduced formationalization and increased administrative intensity of technical professions are functional and conducive to improved performance of enterpriese.

2.2.9 Job Design

Job design is a vehicle for systematic implementation of the degree of decentralization that managers want and believe is necessary for pursing organizational goals (Stoner, Freeman and Gilbert, 1995). It is a way whereby managers communicate to employees the specific tasks, opportunities, power and authority open to them.

One of the key components of workers effective performance and supervision is job specification. Research has shown that task specialization, standardization and work specification are three of the major implementation concepts of job design, especially in a developing country such as Nigeria. Not only have these principles demonstrably contributed to greater efficiency and uniformity of output, they have also been cost-effective.

Frederick W Taylor (1974) rested his philosophy on four basic principles in this regard:

(1) The development of a true science of management so that the best method for performing each task be determined;

(2) The scientific selection of workers so that each worker would be given responsibility for the task for which he or she is well suited;

(3) the science education and development of the worker;

(4) Intimate friendly cooperation between management and labour.

By paying people for the specific level of skill utilized, employers can hire workers more economically and by hiring people to perform narrowly defined jobs, training and development costs can be held to a minimum. These principles which have been applied in job design in many industries suggest that the performance of enterprises where job design is specific and standardized is better than those where jobs are not so designed.

2.3 HYPOTHESES

In the study, the researcher argues that many factors work together to affect performance. These operational indicators which cause observed changes in performance in both private and public sectors include:

- Reward system
- Goal setting
- Staff selection
- Staff training and development
- Leadership
- Organization structure
- Job design

Since this is a comparaive work, the researcher proceeded to demonstrate that these factors work together to affect performance in each sector. The degree to which each factor does that was be determined for each sector during analysis. The conceptual framework articulated in the preceding sections provide the basis for the following hypotheses.

I. There is no significant difference between the performance of public sector enterprises and private sector enterprises studied.

II. The reward systems in private sector and public sector enterprises studied are equally conducive.

III. Enterprises in both sectors in the enterprises studied tend to articulate clearly their goals and also employ management by objectives.

IV. Private sector enterprise and public sector enterprise are equally objective in the selection of their staff thereby improving productivity.

V. The two sectors in the enterprises studied are generally characterised by job-specific and skill training programmes.

VI. Both private sector enterprises and public enterprises studied are generally charcaterised by leadership with a confrontative orientation and hand-on involvement in their operations.

VII. The organisational structure of private sector enterprises such as size, hierarchical levels, administrative intensity and overall complexity tend to be equally conducive to higher productivity as those in the public sector.

CHAPTER 3

REVIEW OF SOME PREVIOUS STUDIES ON NIGERIAN BUSINESS ORGANIZATIONS AND PERFORMANCES

3.0 INTRODUCTION

The literature and generalizations on the organizational structure and performance of business enterprises are enormous. In this study no attempt will be made to review the vast volume of the general literature in these areas. However, the literature on the organization and performance of business enterprises in Nigeria is quite limited in the sense that studies focusing on the overall view of the factors influencing the success of business enterprises were carried out only in the last three decades.

In order to provide insight into the factors that have been discussed in the literature as influencing the performance of business enterprises in Nigeria, this chapter will focus on the review of the literature. The focus will be on business enterprises owned by Nigerians. The emphasis on Nigerian owned and managed enterprises in this review is explained by the focus of this study which is on Nigerian owned and managed private and public enterprises. The review will first examine studies that focus on the broad social and economic factors which influence the overall development of business enterprises in Nigeria. The factors that have been discussed in this category are shortage of capital, availability of business opportunities and entrepreneurial efficiency. The review will then examine studies which focus on the micro factors associated with the performance of enterprises.

3.1 FACTORS INFLUENCING THE EMERGENCE OF BUSINESS ENTERPRISES

There is no doubt that the first fundamental issue involved in the development and growth of business enterprises is the socio-economic environment which will encourage their emergence. Thus, the earliest studies of business enterprises in Nigeria in the mid-1960s focused on the analysis of the conditionalities for the emergence and growth of business enterprises in the country. Amongst the factors which attracted the attention of researchers are shortage of capital, availability of real business opportunities, government economic policies and the entrepreneurial deficiency.

During the early years of Nigeria's independence when attention was focused on ways of stimulating industrial development, there was the general believe that shortage of capital was the major obstacle to industrial and commercial development in the country. However, in studies conducted by Schatz (1963, 1977) to determine the influence of capital on the development of business enterprises especially by Nigerians concluded that this believe was not correct. Rather shortage of commercially viable projects was the main constraint. Harris and Rowe (1966) and Marris (1968) also came to similar conclusions after a survey of Nigerian enterprises owned by Nigerians in various industries.

These findings were not widely accepted as some other researchers such as Nefziger (1969) and Diaku (1986) critized the findings as being based on wrong data (Inegbenebor, 1990:71). In subsequent years surveys by Akeredolu-Ale (1975), Lewis (1977) and Osoba (1985) show that entrepreneurs in Nigeria consistently identified capital shortage as a critical problem limiting their economic performance. It is against the background of the general acceptance of the capital constraint as a key factor influencing the performance of Nigerian business enterprises that various studies have focused on the identification of factors responsible for the inability of Nigerian enterprises to attract financial resources for their activities. Amongst the factors identified are their weak bargaining position and risky nature of the enterprises due to their small size (Page and Steel, 1984; Diaku, 1986), low standard of financial management resulting in poor financial control (Anao, 1975; Diaku, 1986), inability of the entrepreneurs to put up good cases to financial institutions (Osaze, 1981) and the belief held by most entrepreneurs that the lending institutions will not grant them loans if they applied (Osoba, 1985).

Another major factor influencing the development of business enterprises in Nigeria as identified in the literature is entrepreneurial deficiency. According to Kilby (1969) the low level of technical skill and lack of organizational ability affected the performance of Nigerian business men. On the basis of his review of previous studies of Nigerian entrepreneurship he argued that their deficiency is associated with their inability to carry out supervisory and control functions, lack of interest in ensuring production efficiency and product improvement, lack of delegation and unwillingness to undertake innovation. Kilby, argued that poor organizational and technological capabilities of the Nigerian entrepreneur may not disappear with experience and training since they are rooted in the traditional and socio-cultural environment of Nigeria. The entrepreneurial deficiencies can only be corrected through a general transformation of the traditional social structure (Kilby, 1969). In his study of the bread industry Kilby (1965) found evidence of a high degree of inefficiency in the operation of the firms resulting in loss of profits, raw material wastage, product damage and extensive pilferage by employees.

Studies by Harris and Rowe (1966), Harris (1968, 1970, 1972), Nafziger, (1967), also point to entrepreneurial deficiencies among Nigerian entrepreneurs. However, this is not with respect to perception and responsiveness to profitable business opportunities but in terms of the technical and managerial capabilities. These studies concluded that Nigerians are highly responsive to economic opportunities in areas of low technology, small-scale, low investment threshold industrial enterprises. In his work, Akeredolu-Ale (1975) attributed the inferior performance of indigenous enterprises compared with expatriate ones to lower organizational skills, inferior organizational capabilities and less efficient performance of various adjustment functions. These factors also accounted for part of the differences in performance among Nigerian enterprises. In other words, among Nigerian entrepreneurs, he found a positive relationship between higher management training and experience and successful performance. Nigerian owned enterprises with better qualified accountants were more successful while those that utilized more of the available business information were also more successful. These imply that the observed entrepreneurial deficiencies could be eliminated through managerial training and experience.

Schatz (1972) in his study reported that the entrepreneurial deficiency articulated by other researchers was exaggerated. He emphasized the constraints of the economic environment such as the negative factors impinging upon the operation of a business rather than the availability of capital and ability of the businessman himself. The negative factors recognized by Schatz include the difficulties of procuring capital equipment, tools and supplies in reasonable time and in proper working order, problems of operating in an alien social and economic milieu, severe competition among indigenous enterprises, availability, responsibility and productivity of human inputs, lack or inadequacy of infrastructure and unhelpful attitude of government officials. The argument was that these problems raise the cost of operation in Nigeria and render normally profitable business opportunities unprofitable. While the difficulties in the economic environment equally affect foreign and indigenous firms, Schatz maintains that foreign firms generally have considerable entrepreneurial and managerial talent as well as ample capital which cushion the effects of the adverse environment.

3.2 THE ORGANIZATION OF INDIVIDUAL ENTERPRISES

Over the years there has been a growing literature on the overall structure of individual enterprises in Nigeria especially as it relates to the performance of the enterprises. A significant number of studies of enterprises in Nigeria have reported the prevalence of low productivity, underutilization of capacity and technical inefficiency. These problems which invariably affect the overall performance of the enterprises have been attributed to incompetent handling of plant organization and workflow. As pointed out by Schatz (1977), Nigerian enterprises naively underestimate the complexities in organizations associated with the acquisition of modern machine. While very little attention is paid to maintenance and repair of equipment, much less consideration is given to less visible activities such as scheduling of purchasing of raw materials, production planning and control, record-keeping, financial planning and control, administrative and personnel services, all of which are critical to the productivity of the enterprise (Inegbenebor, 1990:79).

3.2.1 Ownership

One of the major factors identified by various studies as influencing the organizational structure of enterprises in Nigeria and which could in turn influence their performance is the ownership structure. In this context ownership structure is conceived as a scale with sole proprietorship being represented as low order form of ownership and incorporation/co-operative as higher order form. The relationship between ownership structure and the internal organizational arrangements is fairly well known in the literature. Higher order forms of ownership facilitate access to managerial and financial resources with concomitant relationship of operating and decision-making processes. Most studies of Nigeria enterprises have found a preponderance of sole proprietorship form of ownership (Harris and Rowe, 1966, Idemudia, 1978; Sullivan and Ikpeze, 1980 and Lewis, 1977).

Some of the studies also show that the relationship between size of a firm and structure of ownership was positive. Teriba *et al* (1981) analysed industrial establishments employing at least 10 people and found that almost 60 per cent of them were incorporated while about 21 per cent and 8 per cent respectively were sole proprietorship and partnership. The findings show that most of the incorporated firms are operated as sole proprietorships as they are closely-held family businesses. It is only in a few cases that there are active partners and share holders. A variety of reasons have been adduced for the predominance of low order form of ownership among Nigerian enterprises. These include lack of trust of partners or co-owners (Schatz, 1977) and the satisfaction of being referred to as Managing Director and independence (Idemudia, 1978, Teriba *et al,* 1981).

Since most Nigerian enterprises have lower order form of ownership, the separation of ownership and control is virtually non-existent in most organizations. Anao (1975) and several other researchers have pointed out that most Nigerian business owners do not separate their personal accounts from those of the business enterprise. This, of course, affects the overall performance of the enterprises since other studies have shown that separation of ownership and control had effect on the level of management compensation available. Management compensation was higher according to Idemudia (1978) in those enterprises administered by managers than in the enterprises run by the entrepreneurs as the principal administrator.

3.2.2 Formal Structure

One basic requirement in any successful business operation is that of a formal organization through which people are allocated to specific tasks and such tasks are grouped together in a logical manner to ensure operational efficiency. An examination of the literature shows that studies of the organizational structure of Nigerian enterprises are quite limited. This can be explained by the fact that since most Nigerian enterprises are small, they do not find it necessary to group tasks because of their level of operation and the need to maintain flexibility. However, there are some studies in this direction in Nigeria, such as that of Rowe (1971:176) which reported that the eight largest firms she studied had the well-known management hierarchies which suggests that a formal structure exists in those enterprises. In other words, some element of horizontal and vertical differentiation existed in these firms. Imoisili (1979) on the other hand, reported the case of some private Nigerian companies employing up to one thousand employees which have not formally structured the system of relationships.

A few studies of Nigerian enterprises have also focused on the examination of their extent of functional differentiation. For example, Harris and Rowe (1966) reported that in some cases, sales, production and hiring of employees were delegated. Idemudia (1978) also found that relatively core exchange management and operations management were delegated. These findings imply that sales, and production had become differentiated in such enterprises. In Osaze (1981) study, 32% of the rapid growth firms had separated the finance functions between the time of inception up to the time of incorporation. Subsequently, 72 per cent of the rapid growth firms and only 28 per cent of the non-rapid growth firms separated the finance function.

A survey of 29 private Nigerian enterprises in Benin City, showed that only 14 per cent had well developed marketing departments (Ogbeide, 1983). The effect of this differentiation on sales performance was not examined but the effect of functional differentiation on the performance of the enterprise is noticeable from Akeredolu-Ale's (1975) work. Enterprises in which the person in charge of accounts had higher accounting qualifications were more successful. It is assumed here that when a person with higher qualifications is incharge of a functional area, there is more differentiation of that function than when the person incharge has lower qualifications. On the whole, there is some evidence of functional differentiation in private Nigerian enterprises; the functions mostly involved being production, sales and finance. It is also safe to conclude that the higher the level of functional differentiation the better the performance of the enterprises.

3.2.3 Span of Control and Delegation

The span of control and pattern of delegation which prevails in Nigerian business enterprises as revealed by the existing studies is closely related to the ownership structure and the formal organizational structure discussed in the preceding sections. Generally, most of the Nigerian enterprises exhibit pioneer/centralized structure. In other words they are characterized by a key individual to whom all other employees are reporting. In a study by Osaze (1983) he found that 74 per cent of the 50 enterprises had pioneer/centralized structure. This shows that in 74 per cent of the cases, all their employees represented the entrepreneurs span of control. In another study, Imoisili (1979) reported that, on the average, there were considerably more workers under the supervision of one manager in Nigerian owned firms. That on the average is smaller than the other categories of firms. The abnormally wide spans may reflect a desire of Nigerian entrepreneurs to maintain their control of the organizations (Pondy, 1969) or to limit administrative overhead costs. But it also implies a limited career progression opportunities for the staff of the organizations. There is little room therefore for entrepreneurs to use promotion and advancement as an incentive to retain trained personnel or reward performance, skill and experience.

Against the background of the belief that delegation of authority connotes efficient and effective organization, studies of Nigerian owned enterprises show that very limited amount of delegation exists (Kilby, 1965, 1969, 1971; Osazel 1981; Akeredolu-Ale, 1975; Idemudia, 1978). The functions mostly delegated were operations and management of the production function. Those that were least delegated were exchange relationships, that is perception of market opportunities, input purchases, response to competition and command over scarce resources. The studies further concluded that delegation was found to be positively related to performance. This was shown clearly by Akeredolu-Ale who argued that delegation is related to management efficiency and therefore performance.

3.2.4 Reward Policies

Studies of reward policies in Nigerian business enterprises indicate that the private sector was less attractive during the oil boom era because public sector enterprises attracted more remuneration. During the same period the foreign-owned enterprises of the private sector provided better conditions of employment. Within the indigenous private sector, it was found that size is directly related to the level of managerial compensation available. Size also significantly discriminates between those enterprises that use objective criteria in the promotion of employees and those which do not. The larger the enterprises, the more objective criteria such as education and proficiency were used as promotion criteria. A second factor found to significantly explain variation in employee compensation in private, Nigerian enterprises was separation of ownership and control. Compensation was generally lower in enterprises where the entrepreneur was in control. Where control had passed to salaried managers, employee compensation was generally higher. Similarly, ownership and control was reported to have a pronounced effect on the use of objective criteria in promotion. Enterprises managed by executive personnel were proportionately more likely to use experience, long service or proficiency in determining who among their employees would be promoted (Idemudia, 1978).

3.3 BUSINESS CHARACTERISTICS AND PERFORMANCE

The literature on business organizations in the private sector of the Nigerian economy shows that substantial effort has been devoted to the study of the relationship between their characteristics and performance. Most of these studies however focus on the characteristics of the entrepreneurs and the performance of their enterprises. The assumption is that entrepreneur with certain characteristics believe consistently in making choices of the structure of the organization. This implies that, at best, the characteristics of business entrepreneurs can only indirectly influence the performance of enterprises through the structure of the organization which they have established. As a result, attempts such as that of Nafziger (1990) to determine the direct relationship between the level of education of the entrepreneur and firm success have not yielded the expected results. Kilby (1965) found that the more educated entrepreneurs in his sample performed at an average rate and concluded that this was due to their tendency to engage in more than one entrepreneurial activity at a time. Others (Nafziger, 1970; Harris, 1971; Osaze, 1987) found a weak, though positive, relationship between education and size of the firm. In Nafziger's (1970) study the relationship between education and profit rate of the firm was negative while Idemudia (1978) could neither reject nor confirm the hypothesis that education and training of the entrepreneur were related to sales growth. Although Olakanpo (1968) believed that literacy was an important factor in the success of the firm, he could not find a significant relationship between formal education and firm success. Adamu (1969) re-analysed Olakanpo's (1968) data and concluded that a minimum education was important to success.

It is in this context that Inegbenebor (1990:96) has suggested that a potentially fruitful strategy is to adopt a two-stage approach which involves the investigation of the nature of the relationship between entrepreneurial characteristics and organizational practices and subsequently, the effect of such practices on performance. Inegbenebor's study which is quite relevant to the present study was designed on the proposition that when entrepreneurs adjust the structure of their enterprises to specific conditions facing them, they are more likely to be effective than if structure is not so adjusted. Deriving from this, Inegbenebor's study sought to analyze the patterns of response of private Nigerian entrepreneurs to variations in the size, technology and level of competition faced by their enterprises and to explain the differences in enterprise performance in terms of the organizational practices adopted. The results from the study showed that the primary impact of size, technology and competition was confirmed to the basic structural variables and these in turn were related to the system of processes used for planning and control. Of the three contextual variables examined by Inegbenebor, size, emerged as the major predictor of structure. Technology did not have any significant impact on the basic structure of the enterprises and the expected pervading effect of this variable on structure in small firms was not found. The impact of competition was limited to the chief executives span of control and centralization.

Inegbenebor reported that specialization of functions not only led to the introduction of procedures to regulate the behaviour of employees, it also led to a higher degree of planning and control. The mode of formal rewards was according to him inconsistent with the mode of control adopted. The major conclusion of Inegbenebor's study was that organizational ability did not seem to be a major constraint to entrepreneurs, since they tended to respond adequately to the contingencies of their enterprises.

3.4 PUBLIC SECTOR ENTERPRISES IN NIGERIA

The public sector is that part of the economy whose activities are under the control the of state. In many countries, especially where the large private sector did not exist, public sector has been the main source of economic growth. However, a kind of severe curtainlment of growth during the last several years has caused some governments to wonder if public enterprises have not become obstacles to the resolution of their macroeconomic problems. Consequently, many countries are therefore currently undertaking careful assessment of the role, performance and even the existence of public sector enterprises. But these decisions are usually country specific, depending on the justification for their intial establishment.

3.4.1 Justification for the Establishment of Public Sector Enterprises

The literature on public sector enterprises has been quite limited. The vast proportion of the literature which is reflected in the various national and regional/state development plans have focused on the justification of the need for government to get involved in the establishment of these enterprises. A review of some of the rationale that have been articulated in these publications are outlined below:

The first of these, especially in the context of developing countries such as Nigeria, is development emphasis. In many developing countries, the resource available to the private sector are not adequate for the provision of certain goods and services. For example the investments required in the construction of a hydro-electricity generating plant or a water scheme for a large urban centre are quite enormous and the returns on investment will take a very long time to realize. Private sector investors may not be attracted to invest in such programmes since they are often interested in projects with considered adequate short-term returns. At the same time multi-national corporations are not generally attracted to invest in such programmes because they cannot predict continuity in government policy, especially in developing countries where frequent changes in government occur. In these circumstances, public authorities must take the responsibility of initiating the provision of such public services. The establishment of steel plants and petrol-chemical industries by public authorities in Nigeria are examples of this rationale.

Secondly, political considerations influence government involvement in the provision of certain social and economic services. In many third world countries, development is closely associated with the provision of social services. Consequently, the performance of a government in many of these countries is evaluated on the basis of its ability to provide different types of public services in areas where such services do not exist. Thus any government that wants to be popular must be involved in the provision of public services. This again explains the provision of health and educational facilities.

The third reason for government intervention in the provision and management of goods and services in many parts of the world is the fact that no person should be permanently deprived of the access to such facilities because of lack of finance or geographical location. If the allocation of certain goods and services is left solely to the market, the resultant distribution pattern may not give certain individuals access to them. The market will allocate the services to those who are able and willing to pay for them. And if the distribution of income is inequitable, as is always the case, those with little income may be unable to pay for access to those services. Hence, in order to fulfil the equity objective of the society some intervention may be necessary. Either wealth and income must be redistributed among members of the community or if this is not possible for whatever reason, the facilities must be provided by public authorities. In many countries such redistribution is carried out through the transfer of money, i.e., by progressive taxation, family allowances, death duties, etc, but there is also a tendency to provide a certain minimum of some goods and services for reasons of equity. The best illustration of this rationale in Nigeria relates to the provision by government of various social services.

A fourth reason for intervention which is closely associated with the one discussed in the preceding paragraph relates to the need to protect the consumer which may not be of interest to the private sector. For example, government intervenes in the provision of education in many countries to protect children who are not capable of making important decisions for themselves. If these decisions were left solely to their parents or guardians, the children might be exploited. Thus, the government makes laws which will ensure that all children receive at least a basic education by making education up to a certain age compulsory and free.

The fifth reason for government intervention in the provision of certain goods and services relates to the indivisibilities which characterize such services. Some facilities such as bridges, tunnels, roads, street lights and street waste disposal facilities cannot be divided up or partially provided. Either street lights are provided for the benefit of everybody in the community or they are not. Similarly public waste disposal facilities are of benefit for all residents within the community. Thus, if an individual is not prepared to pay for their provision, he cannot be prevented from benefiting from their existence as long as such individuals live in the community. Facilities of this type must therefore be provided publicly and financed through taxation.

The sixth reason for government intervention is the consciousness of the national security. Certain facilities like the National Ports Authority, the Police, are too volatile to be left at the mercy of private citizens.

There is yet another reason which is the fact that there are certain goods and services which would not be provided at all if their provision were left to the operation of the market because the cost of collecting the charge for the service would turn any profit into a loss. Such goods or services must therefore be provided by a public authority if they are to be provided at all. For example, roads are usually provided in this way, although sometimes roads are provided and a charge is made for their use at the time of use. Such a situation is possible if journeys are long and exits are few and far between, the toll imposed on a driver per kilometre travelled need only to be a small proportion of the revenue collected from him. If journeys are short and exits are many, the collection costs could become a large proportion of the total collected tolls. The tolls would therefore have to be so high as to cover cost that drivers would tend not to use the toll facilities. For this reason, inter-urban roads are usually the only toll roads, and inter-urban roads have to be provided publicly, the cost of construction and maintenance being covered by taxation.

One major economic institution through which government is involved in the provision of goods and services in Nigeria is the establishment of publicly owned enterprises. These public sector enterprises cover a broad category of economic organizations some of whose activities focus on specific sectors of the economy while other cut across the entire economy.

By tradition, these enterprises cluster most closely in utility and social sectors of the economy. Their economic activities usually embrace the provision of social and economic infrastructure - energy, transport, tele-communications, health facilities, etc. These economic activities, possess large external effects on the other sectors of the economy due to the indispensability of their services in other sectors e.g., electricity supply.

In this regard, some of these enterprises operate with government approval as monopolies fashioned to maximize their benefits while unintended and undesirable repercussions are minimized. In Nigeria, such monopoly powers are usually conferred on some of the enterprises through legislative acts/ordinances/decrees. In spite of functional variabilities of these enterprises, most of them are highly capital intensive and also require large investments in human and material resources.

3.4.2 Performance of Public Services

Objective studies of the performances of public enterprises in Nigeria are quite limited. This is not surprising. Public enterprise goals are difficult to specify due to the problems of multiple objectives (commercial and non-commercial) and plural principals (different control organs having different perceptions of what the goals should be). Thus, it is generally difficult to establish an objective basis for the evaluation of public enterprises in general and Nigeria in particular where reliable data is not available. Often, public sector enterprises at the national and state levels have been characterized by reports of poor performance by Investigative Panels set up by the governments who owned them. The findings of such panels have not been based on the objective assessment of their performances. Consequently, the reports of such panels have been viewed politically as ways in which new governments discredit previous ones.

There are however, a few objective assessment of the performances of some public enterprises in the literature. These studies have focused on the identification of the constraints facing the efficient performance of public enterprises. The problems identified include poor pricing (Lewis, 1973; Phillips, 1973, Ashew, 1991); poor management (Kayode, 1973, Ekukinam, 1973); poor financial management (Tomori, 1973, Madubueze and Eze, 1973, Usman, 1991); and overall poor performance (Yahaya, 1991, Usman, 1991). A review of these studies show that a few of them are empirically based in terms of assessing specific public sector enterprises and, analyses were been based on isolated information obtained from various enterprises. The analyses of the totality of factors influencing the poor performance of public sector enterprises have not been carried out in most of these studies. Moreover, no attempt has been made in most of these studies to compare public and private sector enterprises in terms of the underlying factors influencing the level of performance. It is in this context that this study is conceived to fill some aspects of the gap in the literature.

CHAPTER 4

METHODOLOGY AND RESEARCH FINDINGS OF EXPERIMENTAL FOCUS GROUP

4.0 METHOD OF DATA COLLECTION

4.1 INTRODUCTION

In this chapter, the design of the study was explained; the profile of the study area, and the rationale for the selection of the enterprises. Of special interest and importance is the unique orientation of data collection. This involved a focus on experimental group of participants, their analysis and evaluation of the performance and management practices of public and private sector enterprises. The findings of the survey which formed the basis for the refinement of the questionnaire are also presented later in this chapter.

4.1.1 The Study Area

The Federal Republic of Nigeria lies within the Tropics, between latitudes 4 and 14 of the Equator and longitudes 3 and 14 east of the Greenwich Meridian. The country is bounded in the East by the Republic of Cameroun and in the West by the Republic of Benin. Nigeria's northern neighbour is Niger Republic and on the North-Eastern portion, it is bounded by Lake Chad. The Atlantic Ocean forms the Southern boundary of the Republic of Nigeria (Udo, 1970).

The private and public enterprises being studied in this work are based in three of the thirty-six States in Nigeria. These States are Edo, Delta and Anambra which are located in the Southern part of the country. Edo and Delta States were formerly part of the old Western Region of Nigeria while Anambra State is part of the old Eastern Region of Nigeria. In 1963 what is now known as Edo and Delta States (then known as Midwestern Region of Nigeria) was created out of the old Western Region. In 1967, when Nigeria was divided into twelve States, Midwestern Region became Midwestern State until 1975, and following the division of Nigeria into nineteen Sates the name was changed to Bendel State. In 1990 when the country was divided into thirty States, Edo and Delta were created from the former Bendel State. Anambra State on the other hand, became part of the East Central State in 1967. In 1975 it became Anambra State when the former East Central State was divided into two states (Anambra and Imo). The present Anambra State came into existence when the former Anambra State was further divided into Enugu and Anambra States in 1990.

The three states of Edo, Delta and Anambra are geographically contiguous. They have boundaries with Imo, Enugu and Rivers States in the east, Kogi State in the north, Ondo State in the West, and the Atlantic Ocean in the South (Fig. 1.1). The three States that constitute the study area have similar trends of development to date having been closely associated over the years. The pattern of interaction among the people of the three states predates the establishment of British Colonial administration in Nigeria. Since the level of socio-economic activities rose in the country in general and the study area in particular after the establishment of British colonial rule, there has been an intensification of economic interaction among the people of the three states.

The impact of the various Federal Governments in Nigeria and of the different state governments in the study area has been reflected in the emergence of various public sector enterprises owned by either the Federal or the respective state governments of Edo, Delta and Anambra. As usual, these enterprises have been initiated by the various governments so as to stimulate rapid socio-economic development in the study area. At the same time the private sector has been quite active in the stimulation of socio-economic activities by establishing various types of social and economic enterprises.

One major effect of the patterns of development in the study area over the years has been the growth and rapid development of urban centres. These centres have generally been the focus of socio-economic development and the concentration of private and public sector enterprises. In Edo State the major urban centres are Benin City, the State capital, Ekpoma, Uromi and Auchi. In Delta State, the major urban centres are Warri, Sapele, Ughelli, Agbor and Asaba, the State capital. In Anambra State, the major urban centres are Onitsha, Nnewi and Awka, the State capital.

The major socio-economic infrastructure of the three states are largely concentrated in the urban centres enumerated above. This is a reflection of the fact that the planning strategy in Nigeria over the years has been based against the agricultural and rural sectors as the major investments in road construction, job creation, housing and medical services were localised in urban areas. The implication of this unbalanced rural/urban development pattern has been the wave of rural to urban migration. Such migration in turn, affects the socio-economic structure and in particular distorts the population composition in the rural areas while at the same time creating unemployment in the urban centres. The study area is a leading producer of petroleum and has vast forest, agriculture and fishing resources. The level of infrastructural development in the study area is comparable to those of other more developed parts of Nigeria.

The choice of the three states as the focus of this study was guided by a desire to choose an area with a fairly long history of private and public sector development in terms of the management of enterprises. Furthermore, the study area is characterised largely by private and public enterprises that are owned and managed by Nigerians rather than expatriates. It is against the above background that the study area was considered most appropriate within the context of the resources available to the researcher.

4.1.2 Selection of Enterprises

Sampling is more of a compromise between perfection in the extreme and arbitrary guess work on the other. Agbadudu (1994) posits that in most business or economic problems, knowledge of the state of the world is incomplete, and thus it becomes necessary to rely on sample data on which to base decisions. Specifically, sampling is the selection of a part of a population in such a way that a sample is a representative of a population so that judgement about the population can be made on the basis of the sample.

The first task of this study in terms of identifying the population of interest was to establish the criteria for the selection of private and public sector enterprises for the survey. Consequently, an attempt was made in the context of the aims of this study to identify public and private sector enterprises that have the following three characteristics:

(i) Size of the employment is at least 20 people.

(ii) Ownership and control is either private sector owned or public sector owned.

(iii) The establishment has been in continuous existence for at least five years.

The first characteristic is essential because the focus of the study is on middle-size to large-scale enterprises rather than small-scale. The second characteristics is based on the need to precisely isolate private sector enterprises from public sector ones in order to justify the comparison of their performance which is a major focus of this study. Finally, the third characteristic is important because there is considerable evidence that new businesses especially in Nigeria are most susceptible to failure and it is necessary to examine only those that have survived the initial uncertainties of the enterprise. There is no doubt that a five-year period is adequate for an enterprise in any of the two sectors to discover and institutionalise those structures, rules, procedures and systems that work in a given setting (Inegbenebor, 1990:102).

It is however not easy to obtain the list of all private and public sector enterprises in the study area. This is due to the fact that official data such as Directories of Business enterprises published by the various State Governments in the study area are not comprehensive and up-to-date. For example, in some of them, the type of ownership is not indicated while in others the date of establishment is not stated. Yet in others the number of employee reported tend to include unpaid family members and apprentices.

It is against this background that the list of enterprises in the public and private sectors in the study area was compiled from various sources including the Report of Industrial Directory and Report of the Industrial Survey 1984 both published by the Federal Office of Statistics, Lagos, the Report of Bendel State Industrial Directory and Manpower Survey, 1980 published by the Bendel State Ministry of Finance and Economic Planning, records of the State Branches of the Manufacturers Association of Nigeria, the Chambers of Commerce, Industry and Agriculture based in Benin, Sapele, Onitsha, Enugu, and Warri; the Federation of West African Chambers; and the Nigerian Council of International Chambers of Commerce. These sources were complemented by preliminary survey and visits to government and private sector departments and organisations where the available data on the list of enterprises with the identified characteristics as presented above were updated. A total of 480 private and public sector enterprises which have the identified characteristics were listed, of which 403 are private sector owned while the remaining 77 are public sector owned. Based on the need to cover the same number and related type of enterprises in both private and public sectors, the selection of thirty enterprises from each sector was carried out by a stratified sampling based on industrial types. Table 4.2 shows the list of the 60 enterprises selected from both sectors for the survey. It indicates that enterprises selected cover publishing and printing, health care services, transport, manufacturing, educational services, consultancy, banking and hotel services. This broad coverage of the selected enterprises provided a comfortable base for the analysis of the performance patterns of enterprises in both the public and private sectors.

4.1.3 Focus Group Experimental Survey

In view of the unique orientation of this study, a combination of different approaches was used to collect the needed data as well as for their analyses. One of these is the focus group strategy which was designed to ensure that informal discussion of the nature of the structure and performance factors associated with private and public sector enterprises are identified. For this study to be meaningful and successful, it is necessary that an indepth knowledge about the formation, history and pattern of development of the selected enterprises is obtained. In view of the fact that a great proportion of the information required to appraise the relative performance of public and private sector enterprises in Nigeria may not be documented, there was the need to interact directly with the ownership, management and employees of these enterprises.

The first step in the focus group surveys was the creation of a working rapport between the researcher and the various components of the selected enterprises. The researcher obtained letters of introduction from her supervisor, Head of Department, Dean and in some cases the Vice-Chancellor to the individual public and private enterprises selected. This was followed by a series of familiarization visits in which the researcher interacted with the proprietors, management and workers of the enterprises on regular basis. During these familiarization visits attempts were made to assure the management and proprietors of the enterprises particularly the private sector ones that the study has nothing to do with taxation and that the findings will not be made known to the public. The completion of these series of familiarization visits ensured that a working rapport has been well established with the various enterprises selected for the study.

There were three major types of focus group sessions which the researcher had in ten business enterprises. Each of the focus group discussion sessions was carried out with the proprietor or owners, the management and the workers. Although there were slight variations in the focus of the discussion with each of the three groups with which sessions were held, the issues discussed covered broadly the following:

(i) Origin and development of the enterprises.

(ii) Objectives and goals of the enterprises.

(iii) Performance of the enterprises.

(iv) Organisational characteristics.

(v) Work characteristics.

(vi) Individual characteristics.

(vii) The future of the enterprises.

The discussions were held in an informal atmosphere so that participants were able to make their contributions without any constraint as in the case with questionnaires. Although there was a discussion guide which was used by the researcher who is also the moderator in most cases, the guide was not intended to be a full-fledged questionnaire nor to be followed rigidly. It was rather an aide-memoire to be referred to by the moderator during the discussion to ensure that the chief points of interest were covered. Besides, the tape-recording, the moderator made notes of the discussion as it proceeds.

The focus group sessions lasted for an average of two hours. Generally, the discussion of the various performance indicators, management practices and problems was carried out within the framework of the comparison of the enterprises in private and public sectors.

Table 4.1

List of Public and Private Sector Enterprises Sampled for the Study

No.	Public	No.	Private
1.	Bendel Flour Mill, Ewu	1.	Tempo Flour Mill, Ogorode.
2.	Delta Steel Company Ltd., Aladja.	2.	Ambik Press, Benin City.
3.	Ajagbuodudu Palm Oil, Ajagbuodudu.	3.	Okomu Palm Oil Ltd., Okomu, Udo, Benin City.
4.	Bendel Pharmaceutics, Benin City.	4.	John Holt West African Drugs Company, Benin City.
5.	Delta Boat-yard, Warri.	5.	Edewor Property Company, Effurun.
6.	Bendel Property Development Authority.	6.	S.M.O. Aka Publishers.
7.	Ethiope Publishing Company, Benin City.	7.	Cotton Mill, Onitsha.
8.	Bendel Newspapers Corporation, Benin City.	8.	Guinness Nig. Ltd., Benin City.
9.	Edo Broadcasting Service, Benin City.	9.	Saidi Centre, Benin City.
10.	Asaba Textile Mill, Asaba.	10.	Okparavero Hospital, Sapele.
11.	Edo Motels.	11.	Ekene Transport Services, Onitsha.
12.	Agbede-Warrake Farms.	12.	Unique Bookshop, Benin City.
13.	Premier Breweries, Onitsha.	13.	Greater Tomorrow Comprehensive Secondary School, Benin City.
14.	Bendel Breweries, Benin City.	14.	Igbinedion Secondary School, Benin City.
15.	Bendel Cement Factory, Okpella.	15.	Allied Steel Industries, Onitsha.
16.	Federal Government College, Onitsha.	16.	Ezenwa Plastics, Onitsha.
17.	Edo College, Benin City.	17.	Life Breweries, Onitsha.
18.	Bendel Insurance Company Ltd., Benin City.	18.	Niger Paper Industry, Onitsha.
19.	New Nigeria Bank Plc., Benin City.	19.	Olympic Farms, Onitsha.
20.	University of Benin Bookshop, Benin City.	20.	Nwa George Industries, Onitsha.
21.	General Hospital, Sapele.	21.	Iju Industries, Onitsha.
22.	Edo Line Transport Ltd., Benin City.	22.	Eddy - Sons Dry Cleaning Ltd., Effurun.
23.	Delta Glass Ltd., Ughelli.	23.	Geolis Cables, Onitsha.
24.	Delta Transport Ltd., Asaba.	24.	A.M.E. Sawmill Ltd., Warri.
25.	Pioneer Oil Mill, Ubulu-Uku.		

Table 4.1 (Contd.)

No.	Public	No.	Private
26.	Nigerian National Shrimp Co. Ltd., Sapele.	25.	Ikpoba Rubber Processing Factory, Benin City.
27.	Nigerian National Fish Co. Ltd., Benin City.	26.	Wassam Motel Ltd., Warri.
28.	New Nigerian Salt Co. Ltd., Oghareki.	27.	Warri Bottling Company Ltd., Effurun.
29.	Bendel Wood Industry, Benin City.	28.	Delta Carriers College, Warri.
30.	Bendel Water Transport, Warri.	29.	Asaba Aluminium Company Ltd., Asaba.
		30.	All States Trust Bank Ltd., Onitsha.

4.1.4 The Administration of Questionnaires

The preliminary analysis of the findings of the focus group sessions provided the base for the refinement of the questionnaires which were administered to the 60 sampled private and public sector enterprises. Consequently, the primary source of baseline data for this study is the questionnaire survey of the enterprises. The main purpose of the questionnaire survey is to obtain a set of uniform and comparative data reflecting the key indicators of the performance of the enterprises. The questionnaire therefore sought information on the profile of the enterprises, their performance over the years and of course the indicators that will be used to explain the trend in their performance (Appendix A).

Each of the 60 selected public and private sector enterprises was visited and the questionnaire was administered to the key management staff who has knowledge of the organization of the enterprise. The completion of the questionnaire required several visits to each selected enterprise as the management required time to assemble some of the information sought. Despite the assurances and the good rapport established between the researcher and the management some of the questions were not answered because of the reluctance to disclose such information particularly those relating to profit and turnover. In such situations some other surrogates were devised to measure profitability or the overall performance of the enterprise.

4.1.5 Data Analysis Method

The formal and informal data collection procedures as articulated in the preceding sections produced data on the selected enterprise relating to the following:

(a) Performance indicators such as profitability, turnover, expansion, etc.

(b) Factors influencing performance, such as reward systems, goal setting, management by objectives, staff selection, training and development, leadership organizational structure, etc.

(c) Comparative data on public and private sector enterprise with respect to the above indicators.

(d) The translation of the data on the various indicators into specific variables.

On the basis of the articulated variables a variety of analyses were carried out on the data against the background of the objectives of this study. Basically, three major types of data analysis were carried out.

The first are descriptive in which frequency tables with their associated statistics are used to reveal the detailed characteristics of the various indicators of performance and the determinants of such performance are isolated for enterprises in both public and private sectors. A cross-tabulation of some critical indicators in one category against elements of another exposed the associations among the variables or indicators.

As far as the focus group data is concerned, the findings are presented in a more systematic manner. Although the focus group surveys are largely informal, the views, opinions and consensus reached are codified and analysed from the perspective of the enterprises in the public and private sectors respectively.

The third form of data analysis entailed the use of Factor Analysis to identify the major factors which influence the success or failure of enterprises in both sectors and also classify the various enterprises into various groups on the basis of their score on the performance indicators. The output of these analyses helped to provide an objective basis for comparing the patterns of performance and their underlying factors amongst the selected public and private sector enterprises.

4.2 PERCEPTION OF PARTICIPANTS IN PUBLIC AND PRIVATE ENTERPRISES ON THEIR PRACTICES AND PERFORMANCE

4.2.0 Introduction

Since Nigeria became independent in 1960 various strategies have been embarked upon to improve the standard of living of the people as well as provide a sustainable basis for the development of the economy. The limited success of these efforts have been reflected in the present socio-economic problems facing the Nigerian economy as outlined earlier in Chapter 1. One of the well-known areas of failure in the country's development efforts has been the emergence of a sustainable business management and entrepreneurship class that is capable of exploring the opportunities in the various sectors of the economy for development of business enterprises. Despite the efforts of the governments over the years to stimulate indigenous entrepreneurship, it is well known that Nigerian enterprises have not performed satisfactorily over the years especially government owned ones. The identification of the underlying factors influencing the performance of private and public sector enterprises in Nigeria must take into consideration the views and experiences of participants in these enterprises including the owners, managers and workers.

This chapter, therefore, presents the findings of the focused group discussions held with the owners, management staff and the general working staff of the ten selected enterprises as discussed earlier. The discussion focused on issues such as the reasons and justification for government involvement in the establishment of enterprises, the goals and objectives of the enterprises, the determinants of their performance and suggestions for improvement.

4.2.1 Rationale for Government Involvement in the Establishment of Public Enterprises

The basic issue discussed with the various focus group participants relates to their views on the need for government to be involved in the establishment of business enterprises. Although there were divergent opinions regarding the rationale for government involvement in the establishment of enterprises, there was some agreement amongst the focus group participants that no country can leave its economy open to the private sector without any form of control especially in a country such as Nigeria where the indigenous private sector is yet to mature. The discussants suggested various reasons for the establishment of enterprises by government in Nigeria especially since some of the public sector ventures can be effectively handled by the private sector.

One of the frequently mentioned reasons for government initiative in the establishment of business enterprises by the discussants in the private and public enterprises where focus group discussions took place relates to the fear of foreign domination of the economy. Participants agreed that multinational companies based in the Western world can manipulate key sectors of the Nigerian economy if government does not take the initiative to establish business ventures in those sectors of the economy where the indigenous private sector entrepreneurs are not willing or capable of investing. The Bendel Insurance Company Limited and the New Nigeria Bank Plc are good examples of such enterprises. Before their establishment the defunct Midwest later Bendel State now Edo and Delta States did not have any insurance company or bank which was based in the then Bendel State. The expansion of the largely foreign based banks and insurance companies did not go beyond the major urban centres. With the establishment of the two financial institutions in the early 1970s, their activities were extended to most parts of the then Bendel State. The participants argued that considering the crucial role of banking and insurance facilities in the modern economy, the establishment of the New Nigeria Bank Plc and the Bendel Insurance Company was justified and appreciated by the focus group participants.

Closely related to the issue of checking foreign domination of the key sectors of the economy is that of stimulating the establishment of key industries which are crucial to the development of various sectors of the economy. Participants agreed that Iron and Steel industries are crucial to the industrialization of Nigeria. Similarly, petro-chemical industries are also critical. Such industries entail huge capital investment with slow rate of return which many Nigerian entrepreneurs may not be able to accommodate at the present level of development. At the same time, petro-chemical and iron and steel industries are quite strategic to the country's socio-economic and political development. Consequently, state initiative and control of these industries is important for national development so that a foreign country, which does not share the political ideology of Nigeria's government do not hold the country to ransom. Participants therefore agree with the initiative of the Nigerian government in the establishment of Iron and Steel industries as well as petro-chemical industries in Nigeria.

The control group also identified the desire for rapid growth and diversification of the economy as a major justification for the establishment of public sector enterprises. In Nigeria every government attempts to stimulate the diversification of the economy both at the federal and state levels. In such situations, governments are not quite patient with the private sector to take the initiative. Government is therefore determined to lead the way by taking the initiative of establishing enterprises that will generate internal growth mechanism for the economy and at the same time diversify economic activities. The focus group participants explained that it is in this context that enterprises such as Bendel Flour Mill, Bendel Pharmaceutics, Premier Breweries, Bendel Breweries, Okpella Cement Factory and Delta Glass Limited were established. The competition for internal growth and diversification among the various administrative units in Nigeria was also identified by participants as a major factor which has influenced the establishment of public sector enterprises in Nigeria. Each state or regional government strives to imitate what sister states do in terms of promoting the establishment of some public enterprises in their respective areas of jurisdiction. This explains why some state governments have banks, cement companies, textile mill factories and breweries. The participants argue that such competition, if it is healthy, is good for the economy as states which are lagging behind in terms of the diversification of their productive systems can be motivated to imitate others, with consequent progress for the country as a whole.

The focus group participants also justified the involvement of government in the establishment of enterprises in terms of the need to compete with the private sector and thereby contain their excesses especially in the area of welfare services. They argued that the private sector can exploit members of the public in terms of the pricing of certain goods and services which are basic needs in common demande. If the public sector is involved in the provision of such goods and services, it can help to control the excesses of the private sector. Thus, the establishment of enterprises such as Edo Motels, Edo Line Transport Limited, and Delta Boatyard provides the public alternative facilities to those provided by the private sector. This has in turn led to restraints on the part of private sector enterprises in terms of the price or cost imposed on the consumer.

The demonstration effect of public sector enterprises was also identified as a justification for the establishment of such enterprises. The focus group participants argued that in the context of Nigeria, government needs to establish some enterprises such as Pioneer Oil Mills, Nigerian National Fish Company Limited, Agbede-Warrake Farms Enterprises and Ethiope Publishing Company Limited. The agricultural and food production enterprises are designed to provide examples of modern agricultural and food production practices to the local population who have been used to the traditional methods of production. The industries are also expected to stimulate the younger generation of farmers to imitate the modern methods of production.

Finally, the discussants argued that public sector enterprises are necessary in the areas of social services where the private sector may not respond to the need of the society. There is no doubt that medical care is required in all localities within a country. However, it is well known that the private sector concentrates on the provision of health facilities only in the major urban centres at the expense of rural areas. Consequently, the public sector must be involved in making sure that certain essential social services are provided to the generality of the people.

The conclusion that emanates from the discussion with the owners, management and workers of both the private and public enterprises is that there is general consensus that, despite the criticisms of public involvement in the establishment of enterprises in Nigeria, there is justification for it even as at now. This suggests that from the point of view of those Nigerians involved in the ownership, management and provision of manpower to both public and private enterprises government should be involved in the management of economic and social enterprises in the country.

4.2.2 Comparison of Goals and Objectives

The focus group discussions with participants in the private and public sector enterprises on the justification for the involvement of government agencies in the enterprises was followed by the discussion of the goals and objectives of the enterprises in both sectors. The findings of the discussions in the selected enterprises show that, although there were some differences in the goals and objectives of the enterprises in the public and private sectors, the overall objective should be sustainability of the enterprises through their viability. It was agreed among the participants that public sector enterprises generally have multiple objectives compared with those in the private sector which are generally concerned with profit maximization. In view of the various reasons adduced by the participants for the public sector involvement in the establishment of enterprises, there is a generally held view that profit alone should not be conceived as the goal of the enterprises. Public sector enterprises have multiple objectives particularly non-commercial ones but the consensus amongst the participants is that such non-commercial or social objectives should not affect the viability of a public sector enterprise. The opinion of most participants is that whatever social objectives are catered for, no matter the beneficiaries, be it government or individuals, it was argued that if a manager of a public sector enterprise is allowed to get away with the argument that his poor commercial performance is due to the pursuit of vague unquantified non-commercial objectives, then it becomes impossible to distinguish between legitimate and illegitimate reasons for losing money. The point was also made that it may be difficult to separate the costs of meeting social objectives in public sector enterprises from the entire cost system because most non-commercial benefits are difficult if not impossible to measure. Generally, the participants argued that one can compare the costs of different methods of achieving a particular sets of benefits.

Another approach discussed by the participants relates to the possibility of a negotiated agreement as to the costs of meeting legitimate non-commercial objectives. In this case, the compensation is not actually paid. Instead, the expenditure is entered not as a cost above the public profit line but as a transfer below the line. In other words, the participants argued that the expenditure is treated as a dividend paid in-kind to the government. Thus, the quantum of public profit is not affected by the non-commercial activity but some of that profit is distributed in-kind rather than as taxes, dividends or retained earnings.

The basic argument of the participants, therefore, is that non-commercial objectives of the public sector enterprises should not prevent the comparison of private and public sector enterprises since differences in objectives can be effectively taken care of if need be. In fact, the point was made that some private companies do have multiple objectives including non-commercial ones. The example was given of private entrepreneurs who deliberately locate their enterprises in their home towns and villages despite the fact that such localities are not the most suitable for profit maximization. They do so because they want their localities to have benefits of development. The example of such enterprise is the Igbinedion Specialist Hospital with all the facilities of the best medical centres in any part of the world but located in Okada village in Edo State. The social costs of putting such a hospital in a village are enormous.

In conclusion, the participants agreed that with an appropriate framework of analysis, the goals of public and private enterprises are not significantly different and this indicates that enterprises in both sectors can be compared successfully.

4.2.3 Participants' Views on the Performance of Public and Private Sector Enterprises

It is against the background of the agreement by participants that public and private enterprises have essentially similar objectives which can be quantified, that the discussion focused on the perspective of the performance of the enterprises in both sectors. There was considerable argument amongst the participants especially those in the public sector enterprises that one fundamental problem facing most of the performance evaluation of public sector enterprises in Nigeria relates to the failure to quantify or discount social objectives which have been met by public enterprises. There is a tendency, they argued, for analysis to focus on financial evaluation and ignore the social aspects as discussed earlier in the preceding section of this chapter. The general opinion is that the evaluation of public sector enterprises are based on wrong indicators especially the emphasis placed on profitability. This places public sector enterprises at a great disadvantage considering the variety of reasons identified as influencing the establishment of such enterprises in the country.

Despite this problem, there is general agreement among the focus group participants that the vast majority of public sector enterprises in Nigeria have performed poorly over the years compared with those in the private sector. In terms of the rates of return on capital, viability and sustainability of operations, the public sector enterprises have performed very poorly when compared with most of those in the private sector.

The focus group participants gave various examples of public sector enterprises in the study areas which have declined over the years after their establishment. The Delta Steel Company Limited which was commissioned in 1981 started as the first major steel manufacturing plant in Nigeria but within ten years of its establishment, it started to decline to the extent that by 1995, it was producing far below its capacity as it was not able to purchase raw materials needed for its activities. Today, the industry has declined considerably as production has virtually stopped and its workers have not been paid for months. The Bendel Pharmaceutics Limited was the first drug manufacturing plant in the defunct Bendel State and it started as a very successful enterprise supplying a significant proportion of the drugs required in the medical centres in the present Edo and Delta States. The plant which was established in the early 1970s declined remarkably in the mid-1980s. By 1990, the plant was producing very minimal drugs and in fact stopped production for many months intermittently. Today the company has declined considerably, as little or no drug production is going on in the plant. The Delta Boatyard in Warri was established to produce boats for water transportation in the riverine areas of the new Delta State. The company achieved considerable success in the 1970s but in the 1980s the productive activities of the company declined significantly. Today, the company has virtually stopped production as efforts are being made by the Delta State Government to privatize the company. The Bendel Property Development Authority was established to assist the public in the provision of suitable housing. The authority had housing estates in major towns in the defunct Bendel State where houses were sold to individuals on credit and they are expected to repay the loans before taking full control of the houses. The authority was expected to build more houses from the repayment funds which would in turn be allocated to other people. However, experience shows that the objectives of the housing programme were not realized as no additional houses have been built since the 1980s.

Similar experiences of poor performance were recounted by the focus group participants with respect to many other public sector enterprises such as Ethiope

Publishing Company, Benin City, Premier Breweries, Onitsha, Okpella Cement Factory, Okpella, Bendel Insurance Company Limited, New Nigeria Bank Plc., and University of Benin Bookshop.

The focus group participants indicated that the private sector enterprises performed relatively better than the public sector ones despite the constraints of the economy during the last decade. Again the success of some of the private sector enterprises were recounted by the participants in the discussions. Enterprises such as Ambik Press Benin City, Edewor Property Company, Effurun, Guinness Nigeria Limited, Benin City, Unique Bookshop, Ezenwa Plastics, Onitsha and Allied Steel Industries, Onitsha were reported to have made remarkable progress since their establishment. These enterprises appear to have been able to cope and adjust to the problems facing them when compared to the public sector ones. The experience of the private enterprises is that of steady growth and capability to adjust rather quickly to the uncertainties of the Nigerian economy when compared with public sector ones.

4.2.4 Managerial Autonomy in Public and Private Sectors

The discussion with the focus group, participants examined what the expected roles of management should be in the control and operation of enterprises. It was pointed out that in private enterprises, there are three distinct roles pertaining to ownership, strategic planning and operation of the enterprise. The ownership role involves defining the business charter, setting the overall objectives of the enterprise, appointing and dismissing the board of directors and approving annual accounts and dividend payments. These powers are formally executed through an annual share-holders' meeting. The strategic role is the responsibility of the board of directors. Its major functions are to make policies. In addition to that they have the powers to appoint, advise and dismiss the chief executive officer. Typically, the board is part-time and is composed of persons with high status and professional experience relevant to the business of the firm. The operating role is performed by the chief executive officer and his top management. Their major responsibility is to manage and develop the enterprises in accordance with set objectives.

Participants agreed that in many indigenous private enterprises in Nigeria the distinct role is not clear because in some cases the major shareholder of a company can also be chairman of the board of directors and also function as the chief executive. Even when these roles are combined by an individual, it does not negatively affect the operation of the enterprise. In some cases, it has enhanced rapid decision making to the advantage of the enterprise.

The participants were, however, not so clear about the separation of these roles in public sector enterprises. Generally, the management of public sector enterprises is constrained by the frequent interference from government ministries and agencies that are responsible for the supervision of the enterprises. The point was made by public sector enterprise managers during discussions that the excessive lines of control and the lack of adequate information flow between public sector enterprises and government invariably lead to encroachment by government officials on the strategic and the operational functions of public sector enterprises. Participants agreed that this breakdown in the demarcation of the major functions is the source of much of the poor performance of public enterprises in Nigeria. It was pointed out by contributors that in most public sector enterprises in Nigeria, boards of directors are obliged to seek ministerial approval for relatively small investments, hiring and firing of staff, wage-setting, working capital, decision-making, procurement policies, foreign travel and related matters.

In contrast, the participants noted that in large private sector enterprise, the power to approve these actions is almost always delegated by the Shareholders to the board of directors and the chief executive officer, whereas in medium/small private enterprises, these actions are easily the decisions of the executive managers. The logic is that the board of directors and the chief executive officer will be judged on the basis of the financial performance of their decisions. In such situations, the participants argued, the board can exercise its control function by discussing and approving strategic chores, setting broad financial objectives and examining performance rather than the process by which outcomes are generated. In other words, the private sector enterprises' control philosophy centres on control of viability while their public sector counterparts is characterized by the public administration's philosophy which invariably focuses on compliance with rules and regulations. It was pointed out by participants that given that the strategic role in public sector enterprises is mostly expressed by ministries, their board tend to be more involved in operating decisions which impinge on the normal operating role of the chief executive officer as executed in private sector enterprises. As a result, high government officials are extensively involved in detailed investment decisions in most public sector enterprises. The participants argued that this process creates problems for the effective management of the enterprises in a number of ways. Firstly, it is time-consuming for an already over-stretched bureaucracy. Secondly, the ministries lack the information and the business perspective to make the correct decisions and thirdly, it absolves the management of its responsibility and accountability for enterprise performance. And finally, the constant political changes in the country affect the change in ministerial leadership and policies.

The participants made reference to the poor performances of various public sector enterprises as discussed earlier in this chapter. This has been attributed by the participants partly to this interference by government officials. It is argued that when government take over the strategic role traditionally played by the board of directors and gets entangled in operating decisions, problems surface. The board's principal functions of providing strategic guidance and effective control are generally replaced by poor or no guidance, weak or no controls, and slow and politicized decision-making. Focus group participants in both public and private sector enterprises agreed that the interference of government officials in the operations of the public sector enterprises results in political relations becoming more important than productivity and financial performance.

Participants concluded that the success of an enterprise depends on creating flexibility, dedication, perseverance and hard work, particularly for top management who, by their example, set the culture, direction and spirit for the rest of the employees. Thus, government planning officials and civil servants appointed as directors and chief executive officers of public sector enterprises lack both this relevant knowledge, experience and motivation to orchestrate the human and financial resources and myriad decisions to be made in creating and maintaining effective and viable enterprises. It follows that to stimulate successful public enterprise operations, government must hire top quality professional entrepreneurs and managers and by organizational design shield these people from undue political and bureaucratic interference.

4.2.5 Financial Autonomy and Accountability

Another issue discussed in the focus group sessions is the financial autonomy and accountability of public and private sector enterprises. There was agreement that in the private sector the Board of Directors and the Chief Executive Officer have considerable financial autonomy in the running of an enterprise. Financial decisions can be taken without reference to the owners who meet once a year at the annual general meeting. The situation is quite different with respect to public sector enterprises. Participants re-emphasized the lack of a clear separation between the management and operators of enterprises on the one hand and political considerations and processes on the other. Thus, employment, investment and pricing decisions are frequently made without due consideration to the financial consequences. Among the element of autonomy that managers in the focus group discussions cherished most was financial autonomy in the sense of substantial freedom from reliance on treasury financing.

One aspect of financial autonomy which private sector enterprises enjoy but which their public sector counterparts are denied is access to capital markets. It was emphasized that a combination of more autonomy in financial matters and greater exposure to, and control by, markets normally creates among public sector enterprise managers a stronger sense of responsibility and a more genuine interest in the financial viability of the enterprise. Thus, access of public sector enterprises to capital markets is an important way of institutionalizing financial discipline. Independent bankers scrutinize investment and financing decisions before they extend financial facilities. The use of bond markets, equity markets and joint ventures can open public sector enterprises as in the case of the private sector ones to public scrutiny and to special audits and reporting requirements. The participants were of the opinion that public sector enterprises like the private sector ones should be encouraged to raise, to the extent possible, all their debt financing outside the government and the central bank. Whenever government debt financing is used, market interest rates should be charged and joint ventures and floating of minority equity positions on stock exchanges should be encouraged in public sector enterprises as in private sector ones.

Another significant issue raised in the focus group discussions as far as financial autonomy of public sector enterprises is concerned relates to the frequent recourse to government subsidies. It was pointed out that over the years, public sector enterprises in Nigeria have found it difficult if not impossible to be financially autonomous. Easy recourse to government subsidies for operating purposes in most cases reduces capital to finance viable expansion projects; (i) increases in equity capital as part of restructuring operations aimed at creating viable operations; and (ii) subsidies for performing non-government functions as explicitly agreed between the government and an enterprise.

Finally, the focus group participants noted the constraints on financial decisions of public sector enterprises by governments because of the overall economic policies. Such constraints are not generally imposed on managers of private sector enterprises. In some cases financial decisions of public enterprises are influenced by government because of its macro-economic impact on the overall fiscal deficit and concern about the quality of projects. In fact, investment decisions of some public sector enterprises can be delayed by government in anticipation of some macro-economic policies which are still on the drawing table while their private counterparts can go ahead with their investments without any constraints. The participants concluded that public enterprises like their private counterparts should be allowed to the extent possible, to operate freely within the confines of their business charters and the capacity of their balance sheets.

4.2.6 Managerial Skills and Morale

The focus group participants also discussed the role of the quality of managerial staff in the performance of public and private sector enterprises and the implications for staff morale in these enterprises. Here again the participants highlighted the marked differences between public sector enterprises and those in the private sector. It was pointed out that while private sector enterprise managers are generally more knowledgeable about the operation of business, their public sector managers are closer in their attitudes to bureaucrats than to entrepreneurs. The participants provided a number of reasons for the prevalence of low quality managerial staff in public sector enterprises in Nigeria compared with private sector ones. In the first place, most of public enterprise managers are paid substantially less than their counterparts in the private sector. This is due to the fact that the public sector managers are paid on the public service salary scale which is generally low and inflexible. Again, public sector enterprises in Nigeria typically experience high rates of turnover of managerial staff either because of political changes or because of the rotation involved in the civil service. It was pointed out that managing directors of public sector enterprises such as Delta Steel Company, Aladja, New Nigeria Bank, Bendel Brewery and Okpella Cement Company rarely stay in office beyond two to three years compared with their counterparts in the private sector that can stay on post for between 10 and 20 years. Equally damaging to public enterprise performance is the procrastination in filling top management vacancies due to political consideration and in some cases the need for federal character. Thirdly, public sector enterprises in Nigeria are sometimes used as dumping grounds for civil servants, politicians and retired military personnel. Their obvious lack of technical and managerial know-how becomes a formidable handicap and a source of poor performance. Finally, there has been general shortages of managerial skills in Nigeria because of the educational system which has laid emphasis on academic qualifications rather than professional training. The participants acknowledged that the situation is changing quite rapidly at present.

Another issue raised by participants in the focused group sessions is the morale of staff which is generally low in poor performing public sector enterprises. The point was made that high morale is generally the result, not the cause, of good performance in public sector enterprises. It was argued that public sector enterprises reputed for poor performance would have a far better chance of success within a given environment if they were not saddled with an understandably widespread opinion that they are a locus of corruption, special privilege and irremediable performance. A demoralized organization needs success to keep up its momentum. Without it, disillusionment can set in rapidly. This has been the problem facing many public sector enterprises in Nigeria and this makes it difficult for them to attract good staff that can turn around the enterprises.

4.2.7 Employees Recruitment, Reward System and Attitude to Work

There was general agreement during the focus group discussions that the quality of the labour force in an organization is a major determinant of the performance of that organization. The participants agreed that if two enterprises have essentially the same facilities and resources, differences in their productivity and performance can be influenced by the quality of the working force. This quality, it was agreed is influenced by a number of factors such as the calibre of staff recruited, the reward system and their attitude to work.

As far as the calibre of staff recruited is concerned, experience in Nigeria has shown that private sector enterprises are more flexible in their recruitment patterns than public sector ones. The private sector management generally has much freedom to appoint a staff whenever the need arises. Participants pointed out that the situation in the public sector enterprises is quite different. According to them, there is a lot of bureaucratic processes involved in the appointment of even the lowest cadre staff in public sector enterprises. This is due to the fact that the conditions of service in most of these enterprises are generally the same as in the public service. Consequently, the vacant post to be filled in a public sector enterprise must be advertised and interviews arranged to select suitable candidates for employment. This process can take a long time depending on the circumstances thereby keeping the vacancy unfilled for a long period during which the contribution of the required staff to the productivity of the company will be missed. The participants pointed out further that employment of staff in public sector enterprises is also complicated by a variety of constraints imposed on public sector employment due to government policy. Such constraints include the fact that certain calibre of staff must be employed from the immediate locality in which the company is located; certain paper qualifications must be obtained and elements of federal character must be reflected. The enterprises in the private sector are not subjected to these constraints as the management is free to appoint any staff they adjudge to be competent. The participants drew particular attention to the paper qualification constraint in the employment of staff in public sector enterprises. They argued that there are many skilled individuals who over the years acquired experience and skills in carrying out certain specialized tasks in industries who may not have appropriate formal training in educational institutions. The private sector enterprises employ a large number of such people in their establishments. But in the public sector the rigid rules may not make it possible to utilize such skilled but less educationally qualified staff. This of course has implications for productivity in most public sector enterprises.

Closely related to the differences in the pattern of recruitment between public and private sector enterprises is that of the reward system. Participants again argued that the public sector enterprises are at a disadvantage compared with private sector ones. The public sector enterprise is in most cases constrained by the wage pattern and the other conditions of service in the public sector. This tend to leave the management of a public sector enterprise with discretion in terms of rewards and motivation of workers. Often the public sector enterprise tend to loose staff to their private sector counterparts where the management has considerable free will to determine wages and other forms of rewards without the constraint of a national public service wage system. This factor, the participants argued, has been one of the underlying determinants of the comparatively poor performance of public sector enterprises in Nigeria.

Finally, the issue of differences in attitude to work by employees of public and private sector enterprises was extensively discussed in the focus group sessions. The general feeling of the participants is that private sector employees are more committed to their work than public sector ones. The general attitude of public sector workers in Nigeria is that of indifference and lack of concern for the success of the enterprise in which they are employed. The reverse is the case in the private sector where the workers know that if the business fails to survive they will loose their jobs. The attitude of the public sector employees can be explained by a number of factors as enumerated by the participants in the focus group sessions. The first is that wage levels in the public sector enterprises is lower and this affects the workers' morale. Second, the process of terminating the appointment of a public sector staff is much more difficult than that of the private sector which can be carried out summarily by management. Even if a public sector enterprise fails, the workers may be deployed to other establishments in the public sector. Participants also noted the fact that in private sector enterprises, a large proportion of the employees may be members of the family of the major shareholder but this does not affect negatively their attitude to work as experience has shown that such family members are easily sacked if they fail to perform.

4.2.8 Organizational Design and Structure

The final major issue examined in the focus group discussions concerns the organizational design and structure of public and private enterprises. The participants agreed that the success of a business enterprise or indeed any other organization depends significantly on good organization. It is within the framework of the realization by the participants that a number of organizational design and structure issues were discussed.

The first is the division of work within enterprises. The participants agreed that in any modern business enterprise the division of work is important for improved productivity. While it was agreed that the division of work fastens specialization and improved job performance, it was noted that at the present level of business enterprise development in Nigeria and considering the general attitude of Nigerians to work, too much division of work can create problems of alienation, boredom and absenteeism. It is in this context that the participants believed that there is too much division of work in public sector enterprises, even in small organizations, compared with private sector ones. The point was made that in private sector enterprises, the division of work is conditioned by the size of the organization, the need for efficiency and the peculiarities of the organization. The contrast appears to be the case in public sector enterprises which are generally modelled after the organizational structure of government ministries. Some people, however, argued that the apparent over-division of work in public enterprises is due to the need to avoid too much concentration of tasks in the hands of one person so as to ensure proper control and to avoid the possibilities of fraud. Thus, in a small public enterprise, the person in charge of purchases must be different from the internal auditor. In the private sector, one person can carry out multiple tasks so as to ensure the optimum utilization of labour within the establishment. This contrast between the private and public sector enterprises tends to increase the labour force in the public sector enterprises when compared with their private sector ones.

Closely related to the issue of division of work is that of departmentalization. The participants agreed that in order to keep track of the complex web of formal relationships in an organization, managers typically draw up an organizational chart to depict how work is divided. In an organizational chart, boxes represent the logical groupings of work activities that we call departments. Although the participants acknowledged the fact that jobs and departments vary from one enterprise to another, there is a tendency for public enterprises in Nigeria to have a proliferation of departments when compared with their private counterparts. The explanation for this difference has been provided in the discussion of the pattern of job specification and division of work discussed in the preceding paragraphs. The tendency to over-divide work in public enterprises in Nigeria is also reflected in the pattern of departmentalization. Thus, a public sector enterprise of a comparable size to that in the private sector may have two or more departments than that in the private sector. More departments according to the participants mean more employees as each department has to be properly manned to justify the creation of such departments.

Another issue discussed with the participants is the hierarchy of the organization's various levels of structure. Again, the participants pointed out differences between private and public enterprises in Nigeria in terms of their span of management control, chain of command and their overall hierarchy. Generally, it was observed that public sector enterprises that are modelled after the civil service tend to have narrow spans of management and create tall hierarchies with many levels between the highest and lowest managers. On the other hand, private sector enterprises of comparable size with public sector ones tend to have wide spans thereby creating flat hierarchies with fewer management levels between top and bottom. It was observed that decision making is further slowed down in public sector enterprises because of the tall hierarchy which characterize most of them. On the other hand, decision making is faster in private enterprises with largely flat hierarchies.

Finally, participants observed that co-ordination of activities in a private sector organization is easier because of the generally limited chain of command structure compared with the public sector where the generally tall hierarchy complicates co-ordination of the various activities. These problems, the participants argued are partly because decisions are taken by agencies outside the enterprise itself, particularly the supervising ministry.

CHAPTER 5

DESCRIPTIVE ANALYSIS OF RESEARCH FINDINGS

5.0 INTRODUCTION

In chapter four, the perceptions of the owners, management and workers in private and public sector enterprises were presented. To appreciate further, the nature, performance and the factors underlying the patterns of differences in the performance of private and public sector enterprises, it is essential to present an objective assessment of the existing patterns as reflected in the findings from the empirical survey of these enterprises. In other words, the present chapter attempts to relate some of the impressions and perceptions articulated in the focus group discussion sessions to the empirical data obtained on the surveyed enterprises. Here the profile of the enterprises, management practices and performance indicators were examined with particular emphasis on the comparison of the private and public sector ones.

5.1 PROFILE OF THE ENTERPRISES

The sampled public and private sector enterprises are quite diverse in their nature and structure. They, therefore, provide a broad spectrum of typical private and public sector enterprises that have characterized the economy of the study area during the last few decades. Table 5.1 shows that the enterprises can be broadly classified into seven major categories. The first comprise finance enterprises such as banking and insurance. Three enterprises were surveyed in this category with two from the public sector. Food processing industries constitute twelve of the surveyed enterprises with eight from the public sector and four from the private sector. Since the late colonial period the public sector has been involved in the processing of various local food items. The trend continued during the post-colonial period when various Nigerian governments became interested in industrialization and therefore established food processing industries. In recent decades, the private sector has also shown interest in food processing industries thereby leading to an increased number of food processing plants in Nigeria. Closely related to the food processing plants are the agro-based establishments which focus not on food production but on other agricultural outputs such as cotton production and various types of mechanized farming.

Table 5.1 further shows that the social services enterprises were surveyed including educational and health establishments of which three were from the public sector and two from the private sector. Five transport based enterprises were surveyed including those involved in the production of transport facilities. Five of the enterprises in this group were surveyed with four from the public sector and the fifth from the private sector. Publishing and broadcasting enterprises constitute the sixth group of which four were surveyed in the public sector and two from the private sector. A total of fourteen manufacturing enterprises of various types were surveyed in which eleven were from the private sector and the remaining one from the public sector. Finally, a variety of ten other enterprises with four from the public sector and six from the private sector were surveyed. The overall structure of the enterprises surveyed reflects the basic characteristics of the medium-size and large private and public enterprises in the study area..

Table 5.2 indicates the age structure of the sampled enterprises and it shows that the vast proportion of them are over ten years old. For example, while over 72 per cent of the enterprises in the public sector are over ten years old, the corresponding proportion of those in the private sector is 52 per cent. Table 5.2 suggests that only eight of the public sector enterprises were established within the last ten years compared with fourteen private sector ones that were established in the same period. This is a reflection of the relative decline in the public sector involvement in the establishment of enterprises in the last decade due largely to the generally acclaimed poor performance of most public sector enterprises in the country.

Data on the age structure of the enterprises as outlined in the preceding paragraphs provide some indication of the average life span of private and public sector enterprises, their stability as well as the rate of establishment of enterprises in the two sectors. The importance of collecting data on the years of operation of the enterprises can be seen in the fact that experience gained over the years could influence managerial efficiency and technical progress of a particular establishment. However, the point must be made that many public sector enterprises in Nigeria have survived long periods of existence because of continuing financial support for political reasons from the government that established them so as to prevent their closure. In other words, long years of the existence of public sector enterprises is not necessarily a reflection of their viability but is traceable to continuing government infusion of funds from the tax payers money.

TABLE 5.1

The Types of Private and Public Sector Enterprises Surveyed

Types of Enterprises	Private		Public	
	No	%	No	%
Finance Enterprises	2	6.6	1	3.3
Food Processing	8	26.6	4	13.3
Agriculture based Enterprises	2	6.6	3	10.0
Social Services	3	10.0	2	6.6
Transport based	4	13.3	1	13.3
Publishing and Broadcasting	4	13.3	2	6.6
Manufacturing	3	10.0	11	36.6
Others	4	13.3	6	20.0
Total	30	100.0	30	100.0

Source: Field Survey.

TABLE 5.2

Age Structure of Surveyed Public and Private Sector Enterprises

Age in Years	Private		Public		Total	
	No	%	No	%	No	%
5 - 6	5	16.0	1	3.3	6	10.0
7 - 8	4	13.3	2	6.6	6	10.0
9 - 10	5	16.0	5	16.6	10	16.6
11 - 15	4	13.3	8	26.6	12	20.0
16 - 20	5	16.0	9	30.0	14	23.3
Above 20	7	23.0	5	16.0	12	20.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

This apparently explains the fact that more of the surveyed public sector enterprises have been in existence for longer periods than those in the private sector.

Table 5.3 which shows the ownership structure of the sampled public and private sector enterprises indicates that two of the enterprises are solely owned by individuals while another three are owned by families. The table further shows that eight of the enterprises are partnerships while thirty-five are incorporated. The remaining twelve belong to various combined forms of ownership. As far as the private sector enterprises are concerned further investigation during the field survey shows that most of the enterprises are largely operated as sole proprietorship since in some cases the shareholders are the wives, children and close relations of the proprietors of the business. More often than not, such shareholders neither contribute funds nor participate in the decision making process of the enterprises. On the other hand, the incorporated enterprises in the public sector, are also not characterized by shareholders who are members of the public who contribute funds or participate in the management of the enterprises. Rather, the government that established the enterprise and provides the funds takes most of the decisions that could have been taken by shareholders. In other words, there is a similarity in the pattern of control of the private and public enterprises which are examined in this study.

Table 5.4 indicates the initial capital investment of the surveyed enterprises. In determining the level of this initial investment and all other funds for starting the enterprises were calculated, that is, a summation of costs of land, machinery, power and all other necessary inputs. It is clear from Table 5.4 that there is an almost even distribution of enterprises amongst the various ranges of initial investment varying from ₦1 million to over ₦20 million. However, there are some differences between private and public sector enterprises in terms of distribution. For example, while only 6 of the public sector enterprises had an initial capital investment of ₦5 million and less, the number of private sector ones in this category is 15. Furthermore, while 15 public sector enterprises were established with an initial capital of over ₦10 million, only 8 of the private sector ones are in this range of initial capital investment. The findings show therefore that public sector enterprises are generally started with higher capital outlay than private sector ones.

TABLE 5.3

The Ownership Structure of Surveyed Private and Public Sector Enterprises

Type of Ownership	Private		Public		Total	
	No	%	No	%	No	%
Individual Ownership	2	6.6	0	0	2	3.3
Family Ownership	3	10.0	0	0	3	5.0
Partnership	4	13.3	4	13.3	8	13.3
Incorporated Company	18	60.0	17	56.6	35	58.3
Other	3	10.0	9	30.0	12	20.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.4

The Initial Capital Investment Structure of Surveyed Private and Public Enterprises

Initial Capital Invested	Private		Public		Total	
	No	%	No	%	No	%
Less than ₦1 million	8	26.6	2	6.6	10	16.6
₦1 - ₦5 million	7	40.0	4	13.3	13	21.6
₦6 - ₦10 million	5	16.6	9	30.0	14	23.3
₦11 - ₦20 million	4	13.3	8	26.6	12	20.0
over ₦20 million	4	13.3	7	23.3	11	18.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.5

Source of Initial Finance of Surveyed Private and Public Enterprises

Source	Private		Public		Total	
	No	%	No	%	No	%
Individual and Family Savings	7	23.3	-	-	7	11.6
Loan from Banks and other Institutions	19	63.3	5	16.6	24	40.0
Shareholders Contributors	4	13.3	2	6.6	6	10.0
Government Funding	-	-	23	76.6	23	38.8
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

Finally, Table 5.5 shows the differences between public and private sector enterprises in terms of the sources of initial fund for the establishment of the surveyed enterprises. It shows that while loans from banks and other institutions constitute the main source of funding for over 63 per cent of the private sector enterprises, only 16 per cent of the enterprises in the public sector belong to this category. On the other hand, over 76 per cent of the public sector enterprises were initially funded directly by the government. It is obvious that public establishments initially financed by governments may not undergo the rigorous feasibility appraisal which a finance institution may require before providing funds for the establishment of an enterprise on the basis of a good feasibility study. Such public sector enterprises may face problems of viability which makes the government that established them to continue to provide funds to sustain their inefficient existence even though economically they may never be profitable. This factor obviously affects the performance of public sector enterprises when compared with their private counterparts.

5.2 PERFORMANCE OF THE ENTERPRISES

As pointed out earlier in this study, the problem of obtaining reliable data on the performance of private and public sector enterprises in Nigeria is enormous. Data on most of the effective measures of performance are not available because no attempt is made to assemble such data in most public and private enterprises. Even if such data are available, many of the enterprises, particularly those in the private sector, may not be willing to disclose this information for purposes of tax avoidance. Despite the assurances which the researcher gave to the management of the various enterprises there was considerable reluctance in their disclosure of important data on the enterprises. It is against this background that various other indicators which can be used to measure the performance of the surveyed enterprises were employed.

Table 5.6 shows the measure the degree of success of the surveyed enterprises in terms of the increase in the overall capital investment of the enterprises over the initial investment as discussed earlier in this chapter. The percentage increase in the overall capital investment between the time of establishment and the period of last assessment by the enterprise indicates the level of performance of the enterprise concerned. As reported in Table 5.6 a total of 17, that is 28.3 percent, of the enterprises experienced an increase of less than 20 percent since the time of their establishment. A large proportion of these, that is 15, are public sector owned while only 2 are owned by the private sector. This shows that comparatively, most of the public sector enterprises have not been able to increase the value of their capital investment to a remarkable level. The private sector enterprises have on the other hand, been able to increase the capital base of their establishments at a greater level than public sector ones. For example, while only 5 of the public sector enterprises were able to increase the value of their capital investment by over 100 per cent, 16 of those in the private sector were able to do so. Even then, the increases in the capital value of some of the public sector enterprises as reflected in Table 5.6 cannot be explained solely in terms of the success or viability of the enterprises. There are some instances in which capital investment in public sector enterprises is increased by the government that established the enterprise in an attempt to prevent its total collapse. In other words, it is not the profit made by the enterprise that is re-invested.

TABLE 5.6

Percentage Increase in Capital Investment of Surveyed Private and Public Sector Enterprises

Percentage Increase	Private		Public		Total	
	No	%	No	%	No	%
Less than 20%	2	6.6	15	50.0	17	28.3
21 - 50%	5	16.6	8	26.6	13	21.6
51 - 100%	7	23.3	2	6.6	9	15.0
101 - 150%	4	13.3	2	6.6	6	10.0
151 - 200%	9	30.0	2	6.6	11	18.3
Above 200%	3	10.0	1	3.3	4	23.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

Another measure of the relative performance of public and private sector enterprises which could be obtained from the field data is the percentage increase in the turnover of the enterprises in the last five years in which data was available in each surveyed enterprise. Table 5.7 again shows the remarkable difference between the public and the private sector enterprises in terms of the percentage increase in business turnover during the five year period for which data was provided. It indicates that all the 15 enterprises which had just 20 per cent or less increase in turnover are public sector enterprises while non of the private sector ones is in this category. The Table further shows that 80 per cent or 24 of the 30 private sector enterprises had over 100 per cent increase in turnover as against only 20 percent or 6 of the 30 enterprises in the public sector. Although the increase in the overall turnover of a business enterprise may not necessarily reflect an improved performance, it is obvious that the private sector enterprises in the sample are better than the public sector ones.

Table 5.8 displays the pattern of change in the profit declared by the enterprises surveyed in both sectors. Again, it should be pointed out that the available data on profits may not be reliable as enterprises tend to be conservative in declaring their profits for reasons stated earlier. Moreover, available data on profits are quite sporadic since there are gaps in the records of most of the enterprises as far as profits are concerned. However, on the basis of the data that could be obtained from the records of the surveyed enterprises, the average annual percentage increase in profits for a period of the years was calculated.

Table 5.8 reflects the findings of the analysis. It again shows the differences between enterprises in the public sector and those in the private sector. The average annual percentage increase in profits of 14 of the 30 public sector enterprises is less than 5 percent. The Table shows that none of the private sector enterprises belongs to the less than 5 percent category. Similarly, while 10 of the 30 private sector enterprises

TABLE 5.7

Percentage Increase in Turnover of Surveyed Private and Public Sector Enterprises

Percentage Increase	Private		Public		Total	
	No	%	No	%	No	%
Less than 20%	-	-	15	50.0	15	25.0
20 - 50%	2	6.6	4	13.3	6	10.0
51 - 100%	4	13.3	5	16.0	9	15.0
101 - 150%	6	20.0	3	10.0	9	15.0
151 - 200%	8	25.6	1	3.3	9	15.0
201 - 400%	6	20.0	2	6.6	8	13.3
Above 400%	4	13.3	-	-	4	6.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.8

Average Annual Percentage Increase in Profits of Surveyed Private and Public Sector Enterprises

Percentage Increase	Private		Public		Total	
	No	%	No	%	No	%
Less than 5%	-	-	14	46.6	14	23.3
5 - 10%	4	13.3	7	23.3	11	18.3
11 - 20%	6	20.0	4	13.3	10	16.6
21 - 30%	5	16.6	2	6.6	7	11.6
31 - 50%	5	16.6	2	6.6	7	11.6
Above 50%	10	33.3	1	3.3	11	18.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.9

Average Annual Percentage Increase in Losses of Surveyed Private and Public Sector Enterprises

Average Annual Percentage Increase	Private		Public		Total	
	No	%	No	%	No	%
0	25	83.3	3	10.0	28	46.6
Less than 5%	1	3.3	4	13.3	5	8.3
5 - 10%	2	6.6	7	23.3	9	15.0
11 - 20%	1	3.3	4	13.3	5	8.3
21 - 30%	-	-	3	10.0	3	5.0
31 - 50%	-	-	5	16.3	5	16.0
Above 50%	-	-	4	13.3	4	13.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.10

Percentage Increase in Employment Size of Surveyed Private and Public Sector Enterprises

Percentage Increase in Employment	Private		Public		Total	
	No	%	No	%	No	%
Less than 10%	11	36.6	2	6.6	13	21.6
10 - 20%	12	40.0	3	10.0	15	25.0
21 - 40%	2	6.6	4	13.3	6	10.0
41 - 60%	1	3.3	6	20.0	7	11.6
61 - 100%	2	6.5	5	16.6	7	11.6
Above 100%	2	6.6	10	33.3	12	20.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

had an average annual percentage increase in profits of over 50. Only one of those in the public sector belongs to this category. Despite the relatively poor available data on the profitability pattern of private and public sector enterprises, the available data from this survey show that private sector enterprises are significantly doing better than public sector ones.

Table 5.9 also attempts to measure the performance of the surveyed enterprises using the trend in losses incurred by the enterprises over a five year period. In this respect, the average annual percentage increase in the losses experienced by the enterprises if any, were calculated. As indicated in Table 5.9, 25 out of the 30 private enterprises incurred no losses, while only 3 of the public sector ones are in this category. Furthermore, while no private sector enterprise incurred loss of over 20 per cent, 12 of the public sector ones are in this category. Again, it can be concluded that private sector enterprises performed better than public sector ones.

The final measure of performance used in the evaluation of public and private enterprises surveyed in this study is the relative percentage increase in employment of the enterprises. Normally, an enterprise doing well will be able to increase its employment size while that which is not doing well may in fact reduce the size of its labour force. On this basis, it can be posited that those enterprises which have increased the size of their labour at a high level have performed better. However, some words of caution may be applied here. The level of technological change in the enterprise can affect the size of employment. In situations where improved technology has been adopted by an enterprise, it can affect the size of the labour force by reducing it without resulting in a decline in performance. Furthermore, in many public sector enterprises labour size can be arbitrarily increased for political reasons despite the poor performance of the enterprises concerned. It is within the framework of the above observations that Table 5.10 should be understood. The findings as reported in the Table show that percentage increase in employment size is higher among public sector enterprises compared with the private sector ones. This shows that public sector enterprises are being forced to increase employment size even while their performance is not impressive. In other words, the wage bill of public sector enterprises continue to increase against the background of poor performance. This shows that increase in employment size increase is not a good measure of the performance of public sector enterprises in Nigeria.

5.3 THE PATTERN OF REWARD SYSTEM AND EMPLOYEE MOTIVATION

In the preceding section of this chapter the performance of the surveyed enterprises were evaluated on the basis of available data. Despite the weaknesses associated with the measures used to compare the performances of the various enterprises, it was clear that the private sector enterprises performed better than the public sector ones. The findings confirm the information gathered from the focus group participants as reported in the last chapter. It is against this background that the remaining parts of this chapter will focus on the analysis of the management practices of private and public sector enterprises with particular reference to the possible effects of these practices on the performances of these enterprises.

The first of these practices to be examined is the pattern of reward systems in the enterprises of both sectors. It is well known that rewards and incentives contribute to the improvement of the performance of organizations (Lawler, 1971, 1977). There is no doubt that well designed incentive package systems can be used to motivate employees and direct their performance toward the organization's goals. Table 5.11 indicates the proportion of the employees' rewards in the different enterprises that has been channelled through the group output reward system. This system is expected to reduce the frequent supervision of a group of workers by rewarding them according to the specific output which the identified group of workers are expected to produce. In this case the workers themselves supervise the execution of their assignment realizing that they will not be paid if they fail to complete the task given to them. Table 5.11 indicates that the use of group output reward system is insignificant since over 83 per cent of them indicated that no more than 10 per cent of their total reward system in the last five years was in the form of group output reward system. However, Table 5.11 shows that a greater proportion of the private sector enterprises use group output reward system when compared with the public sector ones. For example, while 10 private sector enterprises reported that they paid between 11 and 40 per cent of their total wage bill through the group output reward system, only 3 of the public sector ones indicated that they paid between 11 and 20 per cent through the group output reward system. This difference between the enterprises

TABLE 5.11

The Use of Group Output Reward System by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Rewards						
	No.	%	No.	%	No.	%
Less than 5%	10	33.3	19	63.3	29	48.3
5-10%	10	43.3	8	26.5	18	30.0
11-20%	5	16.6	3	10.0	8	13.3
21-40%	5	6.6	-	-	5	8.3
Above 40%	-	-	-	-	-	-
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

in the two sectors is understandable because it is easier for private sector enterprises to identify certain tasks to be carried out and employ a group of people to carry them out and possibly terminate their employment after doing so. In the public sector enterprises, the process of employing and terminating the services of workers is rigorous and time consuming. Considering the positive contribution of the group output reward system to the performance of enterprises, it is obvious that the greater use of this system by the private sector enterprises influences the better performance of private sector enterprises as compared with their public sector counterparts.

Closely associated with the group output reward system is the individual output reward system which is quite relevant to the improvement of the employee's reward and is tied to his or her productivity as specifically measured by his/her output. Although the system is no longer common because of changing technology especially in the advanced countries, it is still significant as a way of stimulating workers' productivity in Nigeria. Table 5.12 again shows the differences between private and public sector enterprises with respect to the use of individual output based reward system. It indicates that a greater proportion of the private sector enterprises used over 10 percent of their total wage bill in the last five years compared with those in the public sector. For example, Table 5.12 indicates that while 9 of the private sector enterprises are in that category, only 4 of the public sector ones are in a similar group. Thus, it can be explained that this form of reward system contributes to the differences in the performance of public and private sector enterprises in view of the fact that it contributes to greater productivity of workers.

Table 5.13 reflects the use of judgement based merit reward system by the surveyed public and private sector enterprises. The findings show that this reward system is widely used by the enterprises in both sectors. This is understandable because in both the public and private sectors of the Nigerian economy various organizationally mediated rewards such as salary increase, annual salary increments, promotion and different types of bonuses are widely used. However, 5.13 indicates that a greater use of this reward system is made by the enterprises in the private sector than those in the public sector. Thus, 70 percent of the private sector enterprises reported that the financial rewards to their employees that are attributable to the use of judgement based

TABLE 5.12

The Use of Individual Output based Reward System by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of rewards	No.	%	No.	%	No.	%
Less than 5%	10	33.3	17	56.6	27	45.0
5-10%	11	36.6	9	30.0	20	33.3
11-20%	6	20.0	3	10.0	9	15.0
21-40%	2	6.6	1	3.3	3	4.0
Above 40%	1	3.3	-	-	1	1.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.13

The Use of Judgement based Reward System by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of rewards	No.	%	No.	%	No.	%
Less than 5%	8	26.6	11	36.6	19	31.6
5-10%	7	23.3	10	33.3	17	28.3
11-20%	12	40.0	5	16.6	17	28.3
21-40%	2	6.6	4	13.3	6	10.0
Above 40%	1	3.3	-	-	1	-
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.14
The Use of Time based Reward System by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of rewards	No.	%	No.	%	No.	%
Less than 5%	4	13.3	-	0.0	4	6.6
5-10%	8	26.6	3	10.0	11	18.3
11-20%	9	30.0	5	16.6	14	23.3
21-40%	4	13.3	17	40.0	16	26.6
Above 40%	5	16.5	10	33.3	15	25.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

merit reward system during the last five years is between 11 and 40 per cent compared with a lower proportion of about 30 per cent in the public sector. This difference can be explained by the fact that public sector enterprises are constrained in terms of freedom by management to promote staff when they are due. At times, the promotion in the general public service is embargoed for a period of two or three years and this is extended to public sector enterprises, thereby affecting the morale of workers as discussed extensively during the focus group sessions reported in the last chapter.

Finally, Table 5.14 presents the findings with respect to the use of time based reward system in the surveyed public and private sector enterprises. It shows again that this form of reward system is the most common among the enterprises in both sectors. However, a greater proportion of the public sector enterprises use this system compared with the private sector ones. This is due to the fact that private sector enterprises are able to use the other systems discussed earlier more than the public sector ones. And if the other reward systems are more effective in stimulating workers interest and performance as noted earlier, then the reliance of public sector enterprises largely on time based reward system has considerable impact on their poor performance compared with private sector ones.

5.4 STAFF SELECTION SYSTEM

It was observed earlier in this study that the quality of staff recruited in an organization has a major impact on the performance of the organization. The quality of staff is in turn a reflection of the recruitment process. Some modes of staff selection are known to have been more effective in the selection of good quality staff than others.

This suggests that enterprises which use the more effective methods will be characterized by good quality staff who will in turn improve the productivity and performance of the enterprises concerned (Kravetz, 1981).

One of the most effective methods of staff recruitment that has been identified in the literature as pointed out earlier in this study is the use of tests to select staff. It is against this background that the proportion of the total staff recruited by the surveyed enterprises, through the administration of overall written tests, designed for the specific job for which a staff is needed was determined for a five year period. Table 5.15 shows that the use of administered tests in the recruitment of staff is not common among enterprises in both sectors. The findings indicate that half of the 60 enterprises surveyed recruited less than 5 per cent of their staff in the last five years through the administration of tests. A greater proportion of these are in the private sector which indicates that the use of tests feature more in the recruitment of staff in the public sector than in the private sector. This can be explained by the fact that less emphasis is placed on educational qualifications in the recruitment of staff in private sector enterprises compared with public sector ones that tend to emphasize academic and professional qualifications.

Table 5.16 shows the degree of the use of interviews in the five year period by the enterprises in the two sectors. It shows again that the use of formal interviews is more popular amongst public sector enterprises than the private sector ones. The process of recruitment in public service in Nigeria in general is characterized by advertisements and formal interviews. This is reflected in the public sector enterprises pattern of recruitment which, as expected, emphasize the interviewing of applicants for appointments. Private sector enterprises appear to rely less on interviews as the major means of recruiting staff (Stone and Ruch, 1974).

Table 5.17 indicates that the use of personal history data on prospective applicants is less common in the public sector enterprises compared with private sector ones. The table indicates that about 70 per cent of the public sector enterprises reported that less than 5 per cent of their staff recruited in the last five years were employed through the use of personal history data. On the other hand, the proportion of the private sector enterprises in the same category was only 6.6 per cent. In other words, a greater proportion of the private sector employees during a five year period were recruited through the use of personal history data.

The use of personal history data is closely related to the use of reference checks as the main source of employee recruitment. Table 5.18 indicates that private sector enterprises use reference checks in the recruitment of employees more than public sector enterprises. This can be explained again by the fact that private sector enterprises are less formal than public sector ones. A private sector enterprise can recruit many of its staff on the basis of recommendations from distinguished individuals and corporate organizations whereas such recommendations are not enough to employ an applicant in the public sector.

Finally, Table 5.19 indicates that the use of realistic job previews in staff selection is not a popular system among the private and public sector enterprises. However, a greater proportion of the private sector enterprises used the system when compared with the public sector ones. The conclusion that can be drawn from the analysis of the staff selection systems in the surveyed public and private sector enterprises is that private sector ones use more varied systems than public sector enterprises which tend to rely mainly on one or two methods. The varied nature of the recruitment systems used by the private sector enterprises tend to encourage the selection of better quality staff which of course has a positive impact on the performance of the enterprises.

TABLE 5.15

The Use of Tests in Staff Selection by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Staff Selected	No.	%	No.	%	No.	%
Less than 5%	19	63.3	11	36.6	30	50.0
5-10%	5	16.6	8	26.6	13	21.6
11-20%	2	6.6	5	16.6	7	11.6
21-40%	2	6.6	5	16.6	7	11.6
Above 40%	2	6.6	1	3.3	3	5.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.16

The Use of Interviews in Staff Selection by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Staff Selected	No.	%	No.	%	No.	%
Less than 5%	12	40.0	-	-	12	20.0
5-10%	5	16.0	1	3.3	6	10.0
11-20%	4	13.3	2	6.6	6	10.0
21-40%	5	16.6	5	16.6	10	16.6
Above 40%	4	13.3	22	73.3	26	43.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.17

The Use of Personal History Data in Staff Selection by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Staff Selected	No.	%	No.	%	No.	%
Less than 5%	2	6.6	21	70.0	23	38.3
5-10%	1	33.3	5	16.0	6	10.0
11-20%	10	50.0	4	13.3	14	23.3
21-40%	7	6.6	-	-	7	11.6
Above 40%	10	3.3	-	-	10	16.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.18

The Use of Reference Checks in Staff Selection by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Staff Selected	No.	%	No.	%	No.	%
Less than 5%	7	23.3	21	70.0	28	46.6
5-10%	2	6.6	2	6.6	4	6.6
11-20%	4	13.3	3	10.0	7	11.6
21-40%	16	53.3	4	13.3	24	40.0
Above 40%	1	3.3	-	1	1	1.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

TABLE 5.19

The Use of Realistic Job Previews in Staff Selection by Surveyed Private and Public Sector Enterprises

	Private		Public		Total	
Proportion of Staff Selected	No.	%	No.	%	No.	%
Less than 5%	13	43.3	26	86.6	39	65.0
5-10%	10	33.3	2	6.6	12	20.0
11-20%	5	16.0	2	6.6	7	11.6
21-40%	2	6.6	-	-	2	3.4
Above 40%	-	-	-	-	-	-
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

5.5 TRAINING AND DEVELOPMENT

Training programmes are directed toward maintaining and improving current job performance while development programmes seek to develop skills for future jobs. Generally, new employees have to learn new skills and since their motivation is likely to be high, they can be acquainted relatively easily with the skills and behaviour expected in their new position. The most common of the training methods is on-the-job training including job rotation in which the employee, over a period of time works on a series of jobs thereby learning a broad variety of skills. It is well known that the productivity of the staff of any enterprise is closely associated with their exposure to effective on-the-job training. Table 5.20 indicates the pattern of job-specific training of the staff in the enterprise in the two sectors. It shows the proportion of the staff in each of the surveyed enterprises that have been exposed to job-specific training during the period of five years. The findings indicate that job-specific training is largely used by private sector enterprises. Table 5.20 shows that about 49 per cent of the private sector enterprises have between 21 and 40 per cent of their staff trained on the job while the proportion for the public sector in the same category is only 3.3 per cent. Similarly, while 36.6 per cent of the private sector enterprises have exposed over 40 per cent of their staff to job specific training in staff development, the number of staff in the public sector in this category is 3.3 per cent. In other words, private sector enterprises lay emphasis on the job-specific training of their staff while the public sector ones do not. There is no doubt that this will have some effects on the relative performance of the enterprises in both sectors since staff trained on the jobs they are doing will perform better than those who are not similarly trained (McGe Lee, 1977).

Another measure of the pattern of training and development in the enterprise surveyed relates to the proportion exposed to training outside the establishment. Generally, training experienced employees can be problematic because the training needs of such employees are not always easy to determine. Even when they have been determined, the individuals involved may resist being asked to change their established ways of doing their jobs. Yet continuous training of staff off-the-job is quite valuable for improved productivity. Off-the-job development techniques remove individuals from the stresses and ongoing demands of the workplace, enabling them to focus fully on the learning experience. In addition they provide opportunities for meeting people from other departments or organizations. Thus, employees are exposed to useful new ideas and experiences while they make potentially useful contacts (Froster, 1977).

Table 5.21 shows marked contrast between private and public sector enterprises in terms of the proportion of their employees that have been exposed to off-the-job training during the five year period for which data was obtained. The table shows that private sector enterprises have exposed a greater proportion of their employees to off-the-job training than the public sector ones. For example, while 15 of the 30 private sector enterprises have over 20 per cent of their employees exposed to off-the-job training, only 6 of the 30 public sector enterprises have over 20 per cent of the employees similarly exposed. Lack of training outside their enterprises by employees in the public sector affects their productivity which in turn could affect the overall performance of the enterprises. In other words, the differences in training pattern between public and private sector enterprises could have possible effects on the differences in their level of performance (Goldstein, 1974).

TABLE 5.20

The Use of Job-Specific Training in Staff Development by Surveyed Private and Public Sector Enterprises

Proportion of Staff trained	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	-	-	15	50.0	15	25.0
5 - 10%	2	6.6	8	26.6	10	16.6
11 - 20%	5	16.0	5	16.6	10	16.6
21 - 40%	12	49.0	1	3.3	13	21.6
Over 40%	11	36.6	1	3.3	12	20.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.21

Proportion of the Staff Exposed to Off-the-job Training after employment in Private and Public Sector Enterprises

Proportion of Staff exposed	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	3	10.0	9	30.0	12	20.0
5 - 10%	3	10.0	7	23.3	10	16.6
11 - 20%	9	30.0	8	26.6	17	28.3
21 - 40%	10	33.3	4	13.3	14	23.3
Over 40%	5	16.0	2	6.6	11.6	11.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

5.6 LEADERSHIP STYLES

It has been pointed out earlier in this study that leadership is an essential component of any organization. Researcher exploring leadership functions have come to the conclusion that to operate effectively groups need some one to perform two major functions: task-related or problem-solving functions and group-maintenance or social functions. These two leadership functions tend to be expressed in two different leadership styles. Managers who have a task-oriented style closely supervise employees to be sure the task is performed satisfactorily. Getting the job done is given more emphasis than employee's growth or personal satisfaction. Managers with employee-oriented style put more emphasis on motivating rather than controlling subordinates. They seek friendly, trusting and respectful relationships with employees, who are often allowed to participate in decisions that affect them. Although successful managers use at least a little of each style, the occassional complaint by employees is that they tend to lay more emphasis on either tasks or employees (Aldag and Brief, 1977).

Table 5.22 presents the findings of the survey of the proportion of the management staff in the private and public sector enterprises which can be broadly classified as task-oriented on the basis of the appraisal of their overall orientation. It shows that private sector enterprises have a greater proportion of task-oriented managers compared with their public sector. counterparts. For example, the Table indicates that while 20 of the 30 private sector enterprise have over 20 per cent of their management staff classified as task-oriented only 3 of the 30 public sector enterprises are in the same category. On the other hand, while 19 of the 30 public sector enterprises have 10 per cent or less of their management staff classified as task-oriented, only 5 of the private sector enterprises are in the same category. In other words, the findings show that a greater proportion of the public sector management staff can be classified as employee-oriented while a lower proportion of those in the private sector belong to this group.

The findings therefore show that the major concern of the leadership in the private sector enterprise in the study area is to ensure that the job is effectively carried out as a way of sustaining the continued existence of the enterprise. The leadership in the public sector enterprises can afford to be employee-oriented because of the general belief that a public sector enterprise can always be supported by the government if it is failing (Anao, 1985).

Another aspect of leadership characteristics which was explored in this study with respect to the enterprise in the two sectors relates to the degree of closeness of management staff to the generality of the workers under their supervision. Two distinct characteristics have been isolated in the literature, the first is classified as leadership by active hand-on involvement otherwise known as leadership by walking around, the second is leadership through distant order-giving in which the supervisory managers are not necessarily close to the workers but give orders from a distance. Table 5.23 presents the findings of the degree of management staff active hands-on involvement in ensuring the execution of jobs by workers. It shows again that there are differences between public sector enterprises and private sector ones. While the public sector enterprises are characterized by a lower proportion of managers in active supervision, the private sector enterprises have a greater proportion of such management staff. For example, Table

5.23 shows that 18 of the private sector enterprises have over 30 per cent of their management staff classified as active hands-on involvement while only 4 of the public sector enterprises are so classified. The findings that are reported on Table 5.23 reinforce the earlier findings on task-oriented and employee-oriented leadership. It is obvious that since the majority of the management staff in private enterprises are task-oriented they would ensure that the tasks are accomplished by being personally involved rather than through distant order-giving which may not achieve the desired results. There is no doubt that a combination of task-oriented and active hands-on involvement management staff that characterize private sector enterprises have contributed to better performance of these enterprises compared with their public sector counterparts that are not so characterized (O'Reilly and Weitz, 1980).

TABLE 5.22

Proportion of Management Staff that is Task-Oriented in Private and Public Sector Enterprises

Proportion of Managers Task-Oriented	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	2	6.6	9	30.0	11	18.3
5 - 10%	3	10.0	10	33.3	13	21.6
11 - 20%	5	16.8	8	26.6	13	21.6
21 - 40%	12	40.0	1	3.3	13	21.6
Over 40%	8	26.6	2	6.6	10	16.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.23

Proportion of Management Staff Characterized by Active Hands-on Involvement in Private and Public Sector Enterprises

Proportion of Managers active Supervision	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	5	16.6	13	43.3	18	30.0
5 - 10%	3	10.0	8	26.6	11	18.3
11 - 20%	4	13.3	5	16.6	9	15.0
21 - 40%	10	33.3	3	19.0	13	29.6
Over 40%	8	26.6	1	3.3	9	15.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.24

Proportion of Management Decisions with Worker Participation in Private and Public Sector Enterprises

Proportion of Management Decision involving Participants	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	2	6.6	9	30.0	11	18.3
5 - 10%	1	3.3	10	33.3	11	18.3
11 - 20%	11	36.3	8	26.6	19	31.6
21 - 40%	9	30.0	3	10.0	12	20.0
Over 40%	7	23.3	-	-	7	11.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

Finally, Table 5.24 presents the degree to which workers in the enterprises in both sectors are involved in decision making. It shows that private sector enterprises tend to involve their workers more of decision making than public sector ones. For example, 16 of the private sector enterprises indicated that over 20 per cent of the major management decision taken over a period of two years involved the participation of the workers compared with only 3 of those in the public sector in the same category. Since research findings have shown that organizations with considerable worker participation in decision making tend to experience greater productivity as the workers are more committed to the success of the enterprise, it follows that this aspect also contributes to the better performance of private sector enterprises in the study area.

5.7 ORGANIZATIONAL STRUCTURE

The importance of efficient and effective organizational structure for the performance of an enterprise has been recognized in the literature as noted earlier in this study. The crucial first step in the organization of an enterprise is the process of organizational design. The specific pattern of relationships that managers create in this process is called the organizational structure which has been defined as the framework that managers devise for dividing and coordinating the activities of members of the organization. There are four key components of the organizational structure of an enterprise which are of relevance to the present study. These comprise division of work, departmentalization, hierarchy and coordination (George, 1968).

Table 5.25 presents data which can be used to mirror the pattern of division of work as well as the combination of activities. It reports on the distribution of the number of departments in the various enterprises surveyed in the two sectors. The Table shows that there is a higher degree of departmentalization in public sector enterprises compared with private sector ones. While 10 of the 30 private sector enterprises have between 1 and 2 departments, only 1 of their public sector counterparts is in that category. Furthermore, while, only 2 of the private sector enterprises have 7 or more departments, 13 of their public sector counterparts are in the same category. Although the number of departments in an organization is a reflection of its peculiarities and the perception of its management, it is well known that proliferation of departments in an organization beyond the optimum level of efficiency can negatively affect its performance. The proliferation of departments in the public sector enterprises as pointed out above is a reflection of the general trend in the public service in the country in which for every establishment, a number of departments must be created even if the functions carried out in such departments can be efficiently executed in one department. In may cases the creation of departments in the Nigerian public service is tied to the struggle for leadership and unnecessary semi-autonomy within an organization. Invariably, when a public sector enterprise is established and a civil servant is sent from a government ministry to head it, he starts off by creating departments that are largely similar to those in the ministry from which he was transferred. On the other hand, the situation in the private sector is quite different. The management of a private enterprise is concerned with profit maximization and the minimization of costs. Consequently, where it is possible for certain functions to be carried out within the same department despite their different orientations, such functions are combined in one department. One implication of the proliferation of departments in a small organization is unnecessary increase in employment since there is a tendency for a unit classified as a department to have at least a certain minimum number of employees. Another implication is the slowing down of decision making process and in some cases the generation of unnecessary conflict since a higher number of people claim to be head of departments and consequently their views on issues must be taken into consideration (Dalton, Todor, Spendolini, Fielding and Porter, 1980).

Finally, unnecessary duplication of functions can arise if an organization has more departments than is expected since there is likely to be a struggle by the various departments to acquire more responsibilities. The overall implication of all these is inefficiency and poor performance on the part of public sector enterprises that tend to have more departments than expected.

The pattern of organizational hierarchy in the surveyed private and public sector enterprises is reflected in Table 5.26. Here again, the influence of the public service structure in Nigeria is reflected in the hierarchy of public sector enterprises compared with the private sector ones. The Nigerian public service structure is known to have a tall hierarchy because of the long chain of command associated with it. This long chain of command goes back to the colonial era when the colonial officials were at the top and Nigerians formed another hierarchy below them. When Nigeria became independent, there was no remarkable change in the hierarchical structure in the public service. Nigerians took the place of the British colonial officials and the tall hierarchy which was created to maintain some gap between the British officials and Nigerians remained essentially the same and has been perpetuated over the years. It is the transfer of this civil service structure to the public sector enterprises that has led to the existence of more hierarchies in them than in their private sector counterparts.

TABLE 5.25

The Distribution of Surveyed Private and Public Sector Enterprises According to Number of Departments

Number of Departments	Private		Public		Total	
	No.	%	No.	%	No.	%
1 - 2	10	33.3	1	3.3	11	18.3
3 - 4	12	40.0	6	20.0	18	30.0
5 - 6	6	20.0	10	33.3	16	21.6
7 - 8	1	3.3	6	20.0	7	11.6
9 - 10	1	3.3	4	13.3	5	8.3
Above 10	0	_	3	10.0	3	5.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.26

Distribution of Surveyed Private and Public Sector Enterprises According to Number of Hierarchical Levels

Number of Hierarchical Levels	Private		Public		Total	
	No.	%	No.	%	No.	%
One	9	30.0	-	-	9	15.0
Two	11	36.6	5	16.0	16	26.6
Three	8	26.5	9	30.0	17	28.3
Four	1	3.3	11	36.6	12	20.0
Five and more	1	3.3	5	16.0	6	10.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

Table 5.26 indicates that 20 of the private sector enterprises, that is 66.6 per cent have one, or two hierarchical levels that is flat structures compared with only 5, that is 16.0 per cent of the public sector enterprises. On the other hand, only 2 of the private sector enterprises have 4 or more hierarchical levels compared with 16, that is 53.3 per cent of those in the public sector. The prevalence of comparatively tall organizational hierarchies in public sector enterprises despite their relatively small size has implications for their efficiency and overall performance. In the first place, the too narrow a span associated with the tall hierarchies slows down decision making process which is a major disadvantage in rapidly changing environment. Secondly, it encourages increased employment as every level of the hierarchy must strive to have a complement of staff to support its existence. Thirdly, tall hierarchies create room for the under-utilization of supervisory or managerial staff as each of such staff may not have an optimum number of lower cadre staff to control. As expected the overall implications is inefficiency in organizational structure and poor performance (Fein, 1976).

It should also be pointed out that flat hierarchies that characterized most of the private sector enterprises also has its disadvantages. For example, too wide a span may mean managers are over stretched and employees are receiving too little guidance or control. When this happen, managers may be pressured to ignore or condone serious errors which are not good for the organization. In the context of the type and size of enterprises examined in this study, flat hierarchies which characterize most of the private sector enterprises are advantageous and have positive effects on the performance of the enterprises.

5.8 GOAL SETTING AND MANAGEMENT BY OBJECTIVES

In many societies individuals have dreams of finding fame and fortune and winning the respect and admiration of others. In order to attain our dreams we need to set specific measurable goals with realistic achievable deadlines. The same situation is true of business enterprises or indeed any other organization that intend to succeed and be distinguished from others. The setting of goals in a business enterprise such as those examined in this study is important because it provides a sense of direction, focuses the efforts of the management, guides the plans and decisions of management and helps to evaluate the progress of the enterprise. Within the broad framework of the goals of an organization which could be profit making or the attainment of some societal needs, periodic objectives must be articulated. These periodic objectives could be daily, weekly, monthly or yearly programme of achievements. For example, a set of annual objectives for an enterprise could identify precisely what must be accomplished each year to achieve the organization's overall goal. In the process, they also provide the manager with specific targets for the coming year's performance (Latham and Kinne III, 1974).

Closely related to goal setting and the specification of annual targets to be achieved is management by objectives (MBO.). Management by objectives goes beyond setting annual objectives for organizational units to setting performance goals for individual employees. The heart of MBO are the objectives which spell out the individual actions needed to fulfil the units functional strategy and annual objectives. MBO provides a way to integrate and focus the efforts of all organization members on the goals of higher management and overall organizational strategy. Another key to MBO is its insistence on the active involvement of managers and staff members at every organizational level. Otherwise, people might refuse to cooperate or make only half-hearted efforts to implement someone else's objectives. This is the issue examined earlier in this chapter when the degree of the involvement of the generality of the workers in decision making process was examined and the findings show that private sector enterprises generally involve the working population in decision making process more than public sector enterprises where the level of employees' involvement in decision making was found to be low.

TABLE 5.27

The Setting of Output Target Per Month by Surveyed Private and Public Sector Enterprises in the Last One Year

Proportion Months with Output Target	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	2	6.6	16	53.3	18	30.0
10 - 20%	4	13.3	8	26.3	12	20.0
21 - 30%	5	16.6	2	6.6	7	11.6
41 - 60%	8	26.6	2	6.6	10	16.6
61 - 80%	6	20.0	2	6.6	8	13.3
81 - 100%	5	16.0	-	-	5	8.3
Total	30	100.0	30	100.0	100.0	100.0

Source: Field Survey

TABLE 5.28

The Setting of Output Targets Per Year by Surveyed Private and Public Sector Enterprises in the Last Five Years

Proportion Years with Output Targets	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	-	-	14	46.6	14	23.3
10 - 20%	10	33.3	8	26.6	18	30.0
21 - 40%	8	26.6	5	16.6	13	21.6
41 - 60%	6	20.0	2	6.6	8	13.3
61 - 80%	4	13.3	1	3.3	5	8.3
81 - 100%	2	6.6	-	-	2	3.3
Total	30	100.0	30	100.0	60.0	100.0

Source: Field Survey

Tables 5.27 and 5.28 attempt to monitor the management practices of private and public sector enterprises with respect to the setting of output targets for certain units of their establishment for specific time periods. The Tables show that some of the enterprises in both sectors do set output targets in some of their production units. However, the tables indicate that private sector enterprises performed better in terms of setting output targets per month and per year. A greater proportion of the private sector enterprises set output targets for some months in the year and some years out of the five years covered in the survey. This shows that the motivation for performance is therefore likely to be higher in private sector enterprises that do set output targets compared with public sector ones that do not set specific targets. The fact that the public sector enterprises do not set specific targets for most of their production units is a reflection of the general attitude to public service in Nigeria where the goals and objectives are conceived in vague terms and achievements rarely measured. In enterprises where targets are not set the motivation for higher production will be limited thereby affecting negatively overall performance. The findings of the survey show that this is the situation with the public sector enterprises in Nigeria.

5.9 MANAGEMENT AND WORKERS EVALUATION OF THE PERFORMANCE OF THE ENTERPRISES

So far in this chapter, an examination of some indicators of the performance patterns of public and private enterprises has been carried out while some of the management practices that could have contributed to difference in performance between public and private sector enterprises have been discussed on the basis of available data. It is important in this final section of this chapter to examine the evaluation of the management staff and the workers in the performance of the enterprises which they manage or in which they are employed. Table 5.29 presents the findings of the survey concerning management staff level of dissatisfaction with the performance of their enterprises during a five year period. It shows broadly that dissatisfaction by management staff with the performance of their enterprises is higher in public enterprises than in private sector ones. In 14 of the private sector enterprises less than 10 per cent of the management staff indicated dissatisfaction. In contrast, only 2 public sector enterprises belong to the same category. Furthermore, while over 30 per cent of the management staff in 5 private enterprises indicated dissatisfaction with the performance of their enterprises the number is 19 in the same category in the public sector. The pattern of workers dissatisfaction is largely similar to that of management staff. Table 5.30 shows that a greater proportion of the workers in the public sector enterprises are dissatisfied with the performance of their establishments compared with those in the private sector. This shows that both management and workers generally agree on the poor performance of public sector enterprises as was also shown in the focus group discussion reported in the last chapter.

Tables 5.31 and 5.32 which present the findings with respect to management staff's perception of workers' satisfaction with their establishment confirm the pattern discussed in the preceding paragraphs. They show that a greater proportion of the management staff and workers in the private sector enterprises are satisfied with the performance of their establishment when compared with the public sector ones. A further examination of the two tables shows that workers are less satisfied with the performance of their enterprises in both sectors than the management staff. This indicates that workers evaluation could have been more subjective than the management staff because the workers assessment will be influenced by the level of their rewards and other associated personal conditions of service.

TABLE 5.29

The Distribution of Management Dissatisfaction with the Performance of the Surveyed Private and Public Sector Enterprises.

Management Dissatisfaction	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	14	46.6	2	6.6	15	26.6
10 - 20%	9	30.0	4	13.3	13	21.6
21 - 40%	2	6.6	5	16.5	7	11.6
41 - 60%	2	6.6	8	26.6	10	16.6
Above 60%	3	10.0	11	36.6	14	23.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.30

The Distribution of Workers' Dissatisfaction with the Performance of the Surveyed Private and Public Sector Enterprises.

Workers' Dissatisfaction	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	4	13.3	-	-	4	6.6
10 - 20%	9	30.0	3	10.0	12	20.0
21 - 40%	9	30.0	8	26.0	17	28.3
41 - 60%	4	13.3	4	13.3	8	13.3
Above 60%	4	13.3	15	25.0	19	31.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.31

Distribution of Management Satisfaction with the Performance of the Surveyed Private and Public Sector Enterprises.

Management Satisfaction	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	3	10.0	8	26.6	11	18.3
10 - 20%	3	10.0	9	30.0	12	20.0
21 - 40%	4	13.3	7	23.3	11	18.3
41 - 60%	8	26.6	4	13.3	12	20.0
Above 60%	12	40.0	2	6.6	14	23.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.32

The Distribution of Workers' Satisfaction with the Performance of the Surveyed Private and Public Sector Enterprises.

Workers' Satisfaction	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	10	38.3	15	50.0	25	41.6
10 - 20%	9	30.0	10	33.0	19	31.6
21 - 40%	4	13.3	2	6.6	6	10.0
41 - 60%	5	16.6	2	6.6	7	11.6
Above 60%	2	6.6	1	3.3	3	18.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.33

The Role of Poor Reward System in Management and Workers Evaluation of the Performance of Surveyed Private and Public Enterprises

Role of Reward System	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 5%	5	16.6	1	3.3	6	20
5 - 10%	7	23.3	2	6.6	9	15
11 - 20%	9	30.0	1	3.3	10	16.6
21 - 40%	6	20.0	11	36.6	17	28.3
Above 40%	3	10.0	15	50.0	18	30
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

The survey obtained from the management and workers in both types of enterprises the factors which they think influence the generally poor performance of enterprises in which they are involved. After the synthesis of the various factors identified by the respondents, the following seven were isolated as the most commonly mentioned ones by the respondents:

(i) Poor reward system (motivation)

(ii) Poor attitude to work

(iii) Poor technology

(iv) Inadequate infrastructural facilities

(v) Over-bureaucratization

(vi) Instability of government Policy

(vii) Lack of access to capital

(viii) Employment insecurity

As far as the role of poor reward system is concerned, Table 5.33 indicates that a greater proportion of the respondents in public sector enterprises attributed the poor performance of their enterprises to the poor reward system. In fact, in 26 of the 30 public sector enterprises over 20 per cent of the respondents attributed poor performance to the poor reward system in the public sector enterprises. The proportion of the private sector enterprises in the same category is only 9 which indicates that more of the respondents in private sector enterprises are satisfied with their reward system than the public sector ones.

Table 5.34 shows the proportion of the respondents in the enterprises in both sectors that identified poor attitude to work as a major determinant of the poor performance of enterprises. Again, a greater proportion of the respondents were in the public sector enterprises emphasized this aspect which is a reflection of the general belief that workers in the public service are not as committed as those in the private sector. Of course, those involved in the public sector argue that poor attitude to work can be explained by the poor reward system and poor conditions of service. The private sector respondents on the other hand believe that attitude to work in private sector is comparatively better than in the public sector enterprises.

Table 5.35 reports on the respondents' identification of the role of poor technology in the performance of private and public sector enterprises. The general perception is that the various enterprises use imported machinery and technology from Europe and America. Often, when the imported equipment break down, repairs take a long time to effect because of the fact that spare parts and the required expertise may not locally be available.

TABLE 5.34

The Role of Poor Attitude to Work in Management and Workers Evaluation of the Performance of the Survey Private and Public Sector Enterprises.

Role of Poor Attitude of Work	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	7	23.3	4	13.3	11	18.3
10 - 20%	8	26.6	3	10.0	12	20.0
21 - 40%	5	16.6	4	13.3	9	15.0
41 - 60%	4	13.3	11	36.6	15	25.0
Above 60%	6	20.0	8	26.6	14	23.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.35

The Role of Poor Technology in Management and Workers Evaluation of the Performance of the Survey Private and Public Sector Enterprises.

Role of Poor Attitude of Work	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	9	30.0	4	13.3	13	21.6
10 - 20%	8	26.5	2	6.6	10	16.6
21 - 40%	8	26.6	3	10.0	11	18.3
41 - 60%	3	10.0	12	40.0	15	25.0
Above 60%	2	6.6	9	30.0	11	18.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

This generally leads to the stoppage of production and in some cases the abandonment of the machinery concerned at high cost to the enterprise in terms of loss of production. Table 5.35 also shows that a greater proportion of the respondents in the public sector enterprise emphasize the role of technology in the poor performance of their enterprise compared with the private sector ones. For example, while over 40 per cent of the respondents in 21 of the 30 enterprises in the public sector indicated that technology is a major constraint on the performance of their enterprise, only 5 of those in the private sector are in the same category. This is a reflection of the fact that private sector enterprises are generally able to take quick decisions towards solving the technological problems facing them as against public sector ones where there are delays in taking decisions especially if the supervisory ministry's consent is needed.

One of the major environmental factors which has been identified by respondents in both sectors as influencing the performance of business enterprises in Nigeria is the inadequate and unreliable infrastructural facilities. There is a general complaints about electricity supply which provides the main source of power in the various establishments. The frequent interruptions in power supply has led to some organisations having their own electricity generating plants. Often, when these generators break down, production is stopped. The inefficiency associated with the provision of other infrastructural facilities such as water, transportation and communications as also affecting the performance of enterprises are worse off in the public sector than the private sector ones. It shows that a greater proportion of the respondents in the public sector enterprises identified inadequate infrastructural facilities as a major factor affecting the performance of their establishments. For example, over 40 per cent of the respondents in 17 of the 30 public sector enterprises indicated that inadequate infrastructural facilities constitute a major constraint to performance compared with only 5 of those in the private sector in the same category. The main explanation for the difference between the respondents in the two sectors lies in the fact that private sector enterprises are able to provide on their own those essential infrastructural facilities which the government agencies cannot provide.

TABLE 5.36

The Role of Inadequate Infrastructural Facilities in Management and Workers' Evaluation of Performance of the Survey Private and Public Sector Enterprises.

The Role of Inadequate Infrastructure	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	7	23.3	1	3.3	8	13.3
10 - 20%	14	46.6	2	6.6	16	26.6
21 - 40%	4	13.3	10	33.3	14	23.3
41 - 60%	3	10.0	8	26.6	11	18.3
Above 60%	2	6.6	9	30.0	11	18.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.37

The Role of Over bureaucratization in Management and Workers' Evaluation of Performance of Survey Private and Public Sector Enterprises.

The Role of Over bureaucratization	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	8	26.6	1	3.3	9	15.0
10 - 20%	9	30.0	2	6.6	11	18.3
21 - 40%	8	26.6	10	33.3	18	30.0
41 - 60%	2	6.6	8	26.3	10	16.6
Above 60%	3	10.0	9	30.0	12	20.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

Table 5.37 reflects the role of over-bureaucratization in the poor performance of public and private enterprises. It was pointed out earlier in this study that public enterprises are managed as if they are civil service establishments in Nigeria and this affects the performance of the enterprises. Even the private sector enterprises complain of the role of over-bureaucratization in the general public service in the operations of their enterprises. As expected Table 5.37 shows a greater proportion of the respondents in the public sector enterprises identified over-bureaucratization as a major problem compared with the private sector ones.

The role of stability of government policy has also been identified as a major factor affecting the performance of public enterprises. The basic issue identified by the respondents relates to the frequent changes in government policy which do not provide the necessary long term framework for planning and achieving results. Table 5.38 indicates that more of the respondents in the public sector enterprises complained about the effects of government policy on the performance of their enterprises. In fact, the respondents argued that frequent changes in government is largely responsible for the instability in economic policies. The respondents in the public sector enterprises argued that in most cases, changes in government also result in change in the leadership of the supervisory ministries of the public sector enterprises as well as their key management personnel. This obviously explains the fact that more of the respondents as indicated in Table 5.38 who emphasized the effects of frequent changes in government policy on their performance are in the public sector enterprises.

The problem of lack of access to capital as pointed out during the focus group sessions is reflected in the respondents identification of this problem as contributing to the poor performance of the enterprises. Table 5.39 indicates that a greater proportion of the respondents in the public sector enterprises emphasized this factor compared with those in the private sector. This is expected because of the lack of financial autonomy which characterize public enterprises as discussed earlier in the last chapter.

TABLE 5.38

The Role of Instability of Government Policy in Management and Workers' Evaluation of the Performance of the Survey Private and Public Sector Enterprises.

The Role of Instability of Government Policy	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	4	13.3	1	3.3	5	16.6
10 - 20%	5	16.6	2	6.6	7	11.6
21 - 40%	11	36.6	7	23.3	18	30.0
41 - 60%	4	-	12	40.0	16	26.6
Above 60%	6	20.0	8	26.5	14	23.3
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.39

The Role of Lack of Capital in Management and Workers' Evaluation of the Performance of Survey Private and Public Sector Enterprises.

The Role of Lack of Access to Capital	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	3	10.0	1	3.3	4	6.6
10 - 20%	12	49.0	3	10.0	15	15.0
21 - 40%	7	23.3	5	16.6	12	20.0
41 - 60%	3	10.0	8	26.6	11	19.3
Above 60%	5	16.6	13	21.6	18	30.0
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey

TABLE 5.40

The Role of Employment Security in Management and Workers' Evaluation of the Performance of Survey Private and Public Sector Enterprises.

The Role of Employment Insecurity	Private		Public		Total	
	No.	%	No.	%	No.	%
Less than 10%	11	36.6	3	10.0	14	23.3
10 - 20%	8	30.0	3	10.0	12	20.0
21 - 40%	5	20.0	8	26.6	13	20.0
41 - 60%	2	6.6	9	30.0	11	19.3
Above 60%	3	10.0	7	23.3	10	16.6
Total	30	100.0	30	100.0	60	100.0

Source: Field Survey.

Finally, Table 5.40 presents the findings of the respondents in both sectors with respect to the role of employment insecurity as a factor affecting the performance of enterprises. The Table shows that more of the respondents in public sector enterprises emphasize this problem compared with those in the private sector ones. The insecurity of public sector employment in Nigeria is well known especially since the purge of the mid 1975. This has remained so over the years and obviously affects the morale and commitment of both the management and workers in public sector enterprises and detracts from the success of the establishment in which they work.

CHAPTER 6

FACTOR ANALYSIS OF THE MANAGEMENT PRACTICES AND DETERMINANT OF THE PERFORMANCE OF PRIVATE AND PUBLIC ENTERPRISES

6.0 INTRODUCTION

In Chapter Four, the participants perception of the relative performance of public and private sector enterprises and the factors responsible for the differences in performance were identified. Chapter Five provided a descriptive analysis of the statistical data on the performance and management characteristics associated with enterprises in the two sectors. What the preceding analysis in Chapters Four and Five have not brought out is the pattern of relationships between the various indicators of performance and those that could influence performance. This chapter therefore carries out some statistical analysis designed to test some of the hypotheses outlined in Chapter two. Basically, the focus of the chapter is on the identification of key management factors that influence the relative performance of public and private sector enterprises in the study area.

6.1 THE SELECTION OF VARIABLES AND THE DATA

The literature on enterprise performance and the underlying factors is replete with indicators that can be used to measure the performance and management practices. However, the selection of variables in this study is influenced by the availability of data on the one hand and the conceptual framework articulated in Chapter two. The matrix used for analyzing the performance and management characteristics of private and public sector enterprises in this study incorporates thirty-five indicators of the performance and management practices of the sixty enterprises. The data on these indicators were collected during the sample survey of 60 private and public enterprises as described in Chapter four. The 35 variables are shown in Table 6.1 with the mean percentage for

TABLE 6.1
The Thirty-five Variables Used in the Analysis of the Management Practices and the Performance of Public and Private Enterprises.

S/No	Variables	Mean	Standard Deviation
1.	Age of Enterprise in years.	29.52	17.45
2.	Percentage increase in capital	30.32	17.43
3.	Percentage increase in Turn-over	30.37	17.38
4.	Average Annual % increase in Profit.	29.58	16.72
5.	Percentage increase in size of Employment.	30.08	17.02
6.	Percentage of Wages paid through Group Output.	21.25	17.50
7.	Percentage of Wages paid through Individual Output reward system.	29.23	17.26
8.	Percentage of Wages paid through Time-based reward system.	29.78	17.39
9.	Percentage of Wages paid through Time-based reward system.	30.17	17.52
10.	Percentage of Staff recruited through use of TESTs.	28.85	16.40
11.	Percentage of Staff recruited through Interviews.	30.12	17.39
12.	Percentage of Staff recruited through personal history.	29.58	17.04
13.	Percentage of Staff recruited through reference checks.	29.03	16.76

TABLE 6.1 Contd.

S/No	Variables	Mean	Standard Deviation
14.	Percentage of Staff recruited through Realistic Job Previews.	27.78	16.62
15.	Percentage of Staff trained through Job-specific Training Method.	29.88	17.01
16.	Percentage of Staff trained through Off-the-Job training method.	29.80	17.04
17.	Percentage of Task-Oriented Management Staff.	30.03	17.17
18.	Percentage of Active Hands-on Management Staff.	29.62	17.41
19.	Percentage of Decisions involving workers' participation.	29.78	16.98
20.	No. of Departments in Enterprises.	25.68	16.47
21.	No of Hierarchical levels.	26.03	18.89
22.	Percentage of setting output target per month.	30.10	17.18
23.	Percentage of Enterprises setting output target per year.	32.55	20.29
24.	Percentage of Management Staff dissatisfied with their Enterprise performance.	30.30	17.48
25.	Percentage of Workers dissatisfied with their Enterprise performance.	30.12	17.08
26.	Percentage of Management staff satisfied with their Enterprise performance.	30.20	17.32

TABLE 6.1 Contd.

S/No	Variables	Mean	Standard Deviation
27.	Percentage of Workers satisfied with their Enterprise performance.	29.85	17.13
28.	Percentage of participants attributing poor performance to poor attitude to work.	30.07	17.27
29.	Percentage of participants attributing poor performance to Low Technology.	29.08	17.21
30.	Percentage of participants attributing poor performance to Inadequate infrastructure.	29.78	17.24
31.	Percentage of participants attributing poor performance to over-bureaucratization.	29.92	17.24
32.	Percentage of participants attributing poor performance to instability of Government policy.	30.10	17.37
33.	Percentage of participants attributing poor performance to lack of capital.	30.04	17.21
34.	Percentage of participants attributing poor performance to employment Insecurity.	30.00	17.09
35.	Percentage of Annual increase in Losses.	26.50	13.80

each variable and the standard deviation of each of them among the 60 enterprises surveyed. The 35 variables can be subdivided into groups.

TABLE 6.1(a)
The Nine groups of Variable

S/No	Variables	S/No	Variables
Group 1:	**Measurement of Performance**	**Group 6:**	**Organizational Structure**
1.	Age of Enterprise in year.	20.	Number of Departments in Enterprises
2.	Percentage increase in capital	21.	Number of Hierarchical levels.
3.	Percentage increase in Turnover		
4.	Average Annual Percentage increase in Profit.	**Group 7:**	**Goal Setting**
		22.	Percentage of setting output target per month.
5.	Percentage increase in size of Employment	23.	Percentage of Enterprises setting output target per year.
35.	Percentage of Annual increase in losses		
		Group 8:	**Participants Evaluation**
Group 2:	**Management of Reward System**	24.	Percentage of Management Staff dissatisfied with their Enterprise performance.
6.	Percentage of Wages paid through Group Output		
7.	Percentage of Wages paid through individual Output reward system	25.	Percentage of Workers dissatisfied with their Enterprise Performance.
8.	Percentage of Wages paid through Judgement-based reward system.	26.	Performance of Management staff saisfied with their Enterprise Performance.
9.	Percentage of Wages paid through Time-based reward system	27.	Percentage of Workers satisfied with their Enterprise Performance.
Group 3:	**Mode of Recruitment**	**Group 9:**	**Assessment of factors Influencing Performance**
10.	Percentage of Staff recruited through use of Tests	28.	Percentage of participants attributing poor performance to poor attitude to work
11.	Percentage of Staff recruited through interviews	29.	Percentage of participants attributing poor performance to low Technology
12.	Percentage of Staff recruited through personal history	30.	Percentage of participants attributing poor performance to inadequate infrastructure
13.	Percentage of Staff recruited through reference checks	31.	Percentage of participants attributing poor performance to over-bureaucratization.
14.	Percentage of Staff recruited through Realistic Job Preview	32.	Percentage of participants attributing poor performance to instability of Government policy.
Group 4:	**Training Characteristics**		
15.	Percentage of Staff trained through Job-specific Training Method	33.	Percentage of participants attributing poor performance to lack of capital.
16.	Percentage of Staff trained through Off-the-Job training method.	34.	Percentage of participants attributing poor performance to employment insecurity.
Group 5:	**Leadership Style**		
17.	Percentage of Task-Oriented Management Staff.		
18.	Percentage of Active Hands-on Management Staff		
19.	Percentage of Decisions involving workers participation.		

The first group comprise six variable that focus on the measurement of the performance of the enterprises. The second group comprise four variables which focus on the management of the reward systems used by the different enterprises while the third group of five variables reflected the mode of recruitment of workers in the enterprises. The forth group of two variables focus on the dominant training characteristics of the enterprises while the fifth group of three variables reflected the leadership style of the enterprises. The sixth group of two variables focused on the measurement of the organizational structure of the enterprises while the seventh group of two variables focused on the measurement of their goal setting characteristics. Finally, the eight group of four variables monitored the participants evaluation of the performance of the enterprises while the ninth group of seven variables focused on their assessment of the factors influencing the performance of the enterprises.

As pointed out earlier, the choice of these variables was influenced by the need to measure the various indicators associated with the performance of business enterprise as articulated in the conceptual framework coupled with the need to obtain reliable data. The 35 variables selected are therefore largely influenced by the availability of data on them in the 60 enterprises. In other words, there are some other variables which could have been useful but were not used because some of the enterprises failed to provide the needed data.

The pattern of variation within each of the 35 variables selected to measure the management practices and performance of the 60 private and public enterprises confirms their relevance as indicators influencing their performance and differences in their characteristics. Table 6.1 indicates the generally high standard deviation which show that there are great variabilities of the variables among the 60 enterprises.

TABLE 6.2
Linkage of Highest and Second Highest Correlation for Each Variable

NO	NAME	NO	Variables with Two Highest Correlations	Co-effici-ents
1.	Age of Enterprises in years.	30	Percentage of Participants Attributing poor performance to Inadequate Infrastructure.	0.36
		29	Percentage of Participants Attributing poor performance to Low Technology.	0.54
2.	Percentage increase in Capital.	3	Percentage increase in Turnover.	0.66
		26	Percentage of Management Staff satisfied with the performance of their enterprises.	0.54
3.	Percentage increase in Turnover.	4	Average annual % increase in Profit.	0.86
		17	Percentage of Task-Oriented Management Staff.	0.70
4.	Average annual percentage increase in Profit.	3	Percentage increase in Turnover.	0.86
		23	Percentage of Enterprises setting output target per year.	0.69
5.	Percentage increase in size of Employment.	21	No. of hierarchical levels.	0.57
		11	Percentage of Staff recruited through interviews.	0.46
6.	Percentage of wages paid through Group Output reward system.	7	Percentage of wages paid through individual output reward system.	0.66
		8	Percentage of wages paid through Judgement-based Reward System.	0.70

TABLE 6.2 contd.

NO	NAME	NO	Variables with Two Highest Correlations	Co-effi-cients
7.	Percentage of wages paid through Individual Output reward system.	6 8	Percentage of wages paid through Group Output Reward System. Percentage of wages paid through Judgement-based reward system.	0.66 0.70
8.	Percentage of wages paid through Judgement based Reward System.	7 6	Percentage of wages paid through Individual output Reward system. Percentage of wages paid through Group output Reward system.	0.70 0.66
9.	Percentage of wages paid through time.	15 11	Percentage of staff trained through Job-Specific Training. Percentage of staff recruited through Interviews.	-0.65 0.62
10.	Percentage of Staff recruited through the use of TESTs.	7 8	Percentage of wages paid through individual output reward system. Percentage of wages paid through Judgement-based reward system.	0.51 0.50
11.	Percentage of staff recruited through Interviews.	15 35	Percentage of Staff recruited through Realistic Reviews. Percentage of Annual Increases in Losses.	-0.74 0.72
12.	Percentage of staff recruited through personal history.	11 15	Percentage of staff recruited through Interviews. Percentage of staff trained through the use of Job-Specific Training.	-0.59 0.59

TABLE 6.2 contd.

NO	NAME	NO	Variables with Two Highest Correlations	Co-effi-cients
13.	Percentage of staff recruited through Reference checks.	17 3	Percentage of Task-Oriented Management Staff. Percentage Increase in Turnover.	0.61 0.56
14.	Percentage of Staff Recruited through Realistic Job-previous.	10 12	Percentage of Decisions involving worker participation. Percentage of staff recruited personal history.	0.43 0.40
15.	Percentage of staff trained through Job-Specification Training Method.	17 35	Percentage of Staff-Oriented Management Staff. Percentage annual increases in losses.	0.75 -0.71
16.	Percentage of Staff trained through Off-the-Job training method.	4 17	Average Annual Percentage increase in profit. Percentage of Staff-Oriented Management Staff.	0.63 0.58
17.	Percentage of Task-Oriented Management.	15 3	Percentage of Staff trained through job-specific training method. Percentage increase in Turnover.	0.75 0.70
18.	Percentage of Active Hands-on Management.	17 4	Percentage of Task-Oriented Management Staff. Average annual % increase in profit.	0.69 0.68

TABLE 6.2 contd.

NO	NAME	NO	Variables with Two Highest Correlations	Co-efficients
19.	Percentage of Decisions involving worker participation.	3	Percentage increase in Turn-over.	0.63
		6	Percentage of wages paid through Group output Reward.	0.62
20.	No. of Departments in Enterprises.	21	No. of hierarchical levels	0.48
		31	Percentage of participants attributing poor performance to over-beauceocratization.	0.42
21.	No. of hierarchical level.	5	Percentage increase in size of Employment.	0.56
		35	Percentage annual increases in losses.	0.53
22.	Percentage of Enterprises setting output target per month.	23	Percentage of Enterprises setting output target per month.	0.77
		15	Percentage of staff recruited through Realistic job reviews.	0.65
23.	Percentage of Enterprises setting output target per year.	22	Percentage of enterprises setting output target per month.	0.77
		11	Percentage of staff recruited through interviews.	-0.70
24.	Percentage of Management Staff Dissatisfied with their enterprise performance.	25	Percentage of workers Dissatisfied with their enterprise performance.	0.69
		15	Percentage of staff trained through Job-specific inter-training.	-0.61

TABLE 6.2 contd.

NO	NAME	NO	Variables with Two Highest Correlations	Co-efficients
25.	Percentage of workers Dissatisfied with their enterprises performance.	11	Percentage of staff recruited through interviews.	0.69
		24	Percentage of Management Staff Dissatisfied with their enterprises performance.	0.69
26.	Percentage of Management Staff Satisfied with their enterprise performance.	3	Percentage increase in Turnover.	0.57
		2	Percentage increase in capital.	0.54
27.	Percentage of workers Satisfied with their Enterprise performance.	19	Percentage of Decisions involving worker participation.	0.53
		16	Percentage of staff trained through Off-the-job training method.	0.53
28.	Percentage of participants attributing poor performance to poor attitude to work.	25	Percentage of workers Dissatisfied with their Enterprise performance.	0.67
		22	Percentage of Enterprises setting output per month.	-0.53
29.	Percentage of participants attributing poor performance to Low Technology.	30	Percentage of participants attributing poor performance to Inadequate Infrastructure.	0.71
		31	Percentage of participants attributing poor performance to over-beaucrocratization.	0.69
30.	Percentage of participants attributing poor performance to Inadequate Infrastructure.	25	Percentage of workers Dissatisfied with their enterprise performance.	0.61
		29	Percentage of participants attributing poor performance to Low Technology.	0.71

TABLE 6.2 contd.

NO	NAME	NO	Variables with Two Highest Correlations	Co-efficients
31.	Percentage of participants attributing poor performance to over-beaucrocratization.	21	No. of Hierarchical Levels.	0.60
		29	Percentage of participants attributing poor performance to Low Technology.	0.64
32.	Percentage of participants attributing poor performance to Instability of Government.	19	Percentage of Decisions involving workers participation.	0.66
		30	Percentage of participants attributing poor performance to Inadequate Infrastructure.	0.51
33.	Percentage of participants attributing poor performance to Lack of Capital.	24	Percentage of Management Staff Dissatisfied with their Enterprise performance.	0.59
		25	Percentage of workers Dissatisfied with their Enterprise performance.	0.52
34.	Percentage of participants attributing poor performance to Employment Insecurity.	11	Percentage of staff recruited through interviews.	0.67
		15	Percentage of Enterprises setting output per month.	-0.62
35.	Percentage of annual increases in losses.	11	Percentage of staff recruited through interviews.	0.71
		15	Percentage of staff trained through Job-specific training method.	

6.2 CORRELATION AND LINKAGE ANALYSIS

The overall strength and direction of relationships among the 35 variables in the 60 private and public enterprises have been determined by means of correlation analysis. The values of the Pearsonian product-moment correlation coefficient of the 35 x 35 matrix are shown in computer print out. By inspecting the correlation matrix it is possible to examine the relationship between, for example, the percentage increase in capital which is a measure of the performance of enterprises and all other variables or to compare selected pairs of variables. But the objective in the first instance is to establish broad patterns of inter relationship. This can be done by linkage analysis (Mxcqyitty, 1957). The highest and second highest coefficients in each column of the correlation matrix have been identified and the linkage analysis carried out to show the nature, strength and direction of these major statistical bonds. The groups created by linking the highest coefficients are characterized by the fact that each variable in a group is more highly correlated with another variable in the same group than it is with any variable in another group. In almost all cases the second highest correlation for any variable also falls within the same group, and in some instances, members of the same group are highly inter-linked with little or no significant correlation outside the group (Table 6.2).

6.2.1 Linkage of Performance Variables

The correlation matrix shows that the two highest coefficients associated with the first variable, that is, the age of the enterprise in years are largely low. Thus, while the positive correlation between the age of existence of an enterprise and the participants identification of the role of technology in the performance of enterprise is (0.54), that of the role of inadequate infrastructure is (0.36). The low correlation coefficients of the two highest variables associated with the age of the enterprises confirm the earlier findings as reported in the descriptive analysis in the last chapter, that is, the age of an enterprise is not a viable indicator of its performance. This was explained by the fact that most public sector enterprises have remained in existence for a long time because of continuing government support for their existence due to political considerations. The age of most public sector enterprises is therefore not a reflection of its success or performance.

The correlation matrix shows that the second variable, that is, the percentage increase in capital is positively associated with the percentage increase in turnover (0.66) and the proportion of management staff that expressed satisfaction with the performance of their enterprises (0.54). These linkage patterns confirm the close relationship between enterprises which have been able to improve their capital base since their establishment and their capacity to improve their turnover. In other words, these two variables which have been used in this study to measure performance are closely related. The linkage patterns also confirms the importance of the assessment of the management staff in these enterprises because of the correlation between their satisfaction with the performance of their enterprises and the more objective indicators of performance.

The positive correlation amongst the indicators of performance is further shown by the two highest coefficients associated with variable 3 which is the percentage increase in turnover in the five-year period covered in the survey. Thus, average annual percentage increase in profit over the five-year period is positively associated with the percentage increase in turnover (0.86) as well as the percentage of task-oriented management staff (0.70). This later positive relationship confirms empirically that enterprises characterized by a high proportion of task-oriented management staff tend to be more successful. The correlation matrix further shows that the second highest coefficient associated with the average annual percentage increase in profit, apart from the increase in turnover already discussed, is the twenty-third variable that is the percentage setting of specific production targets per year (0.69). This again confirms the fact that enterprises that set output targets perform better than those which do not.

The percentage increase in the size of employment that is variable 5 is positively associated with the number of hierarchical levels in the enterprises (0.57) which shows that enterprises with rapid increase in their total employment over time are also characterized by tall hierarchies. It was noted earlier in this study that public sector enterprises tend to increase their employment size for political reasons and that they are also characterized by tall hierarchies reflecting the pattern in the public service generally. The second highest coefficient associated with variable 5 is variable 11 which measures the role of interviews in the recruitment of employees (0.46). Again this shows the influence of public sector enterprises which as pointed out earlier, tend to depend on interviews as the major method of recruiting employees.

Table 6.2 shows that variables 6, 7 and 8 which measure the different types of reward systems used in the private and public sector enterprises surveyed are closely correlated. The positive correlations range from 0.66 to 0.70. This shows that the use of this non-conventional methods of reward which focuses on specific output are closely associated with certain types of enterprises. This explains the clustering together of the measures of the output based reward systems. On the other hand, Table 6.2 shows that the most common reward system, that is, time based reward system is not highly associated with the output reward systems. Thus, none of the three measures of output-based reward systems recorded the highest or second highest correlation coefficient with the time based reward system variable. However, the time based reward system variable is positively associated with staff recruitment through conventional interviews (0.62) while it is negatively associated with job-specific staff training. This indicates that time-based reward system which is known to be not as effective as the output reward system is also closely associated with staff recruitment through interviews which again is not as effective as the other methods of staff recruitment. As expected, time-based reward system is negatively associated with job specific staff training (-0.65). This suggests that enterprises which use mainly the less efficient time-based reward system do not train most of their staff through job-specific training method which is known to be more effective than the off-the-job training approach. There is no doubt that enterprises which have these two least effective reward systems and training method as the co-efficients show will perform lower than others which do not have these characteristics.

6.2.2 Linkage to Staff Selection Variables

Table 6.2 indicates that variables 10, 11, 12, 13, and 14 which reflect the various forms of staff recruitment have high positive or negative correlations with certain management practices. It shows that the recruitment of staff through the use of tests is positively associated with individual output reward system (0.51) and judgement based reward system. This again shows that enterprises using more rigorous recruitment method also largely use output based reward systems in paying a significant proportion of their workers. As expected, staff recruited through conventional interviews, that is, variable 11, is negatively associated with staff recruited through realistic job reviews (-0.74) and positively associated with annual increase in losses. The latter shows that enterprises recruiting their staff mainly through interviews also experience losses. The table further shows that staff selected through personal history data is positively linked to staff trained through job-specific training method (0.59) and negatively linked to staff recruitment through interviews. Thus, enterprises using more effective staff recruitment method also use effective staff training methods which of course will contribute to improved performance. Similarly staff recruitment through reference checks which is another comparatively effective method of staff recruitment is positively associated with other positive indicators of performance, such as task-oriented management staff (0.56). Finally, staff recruitment through realistic job-previews which is also comparatively effective in good staff selection is positively associated with worker participation (0.43) and staff recruitment through personal history (0.40). Although the level of correlations is low for the two associations, they indicate the favourable relationship between these variables which generally indicate characteristics associated with good enterprises performance.

6.2.3 Linkage of Training Variables

The two variables associated with the different modes of staff training and development in the enterprises are positively and negatively linked with other variables representing various different indicators of performance by the enterprises. Table 6.2 indicates that staff trained through the more effective and relevant job-specific training method, that is, variable 15 is positively linked with task-oriented management staff and negatively linked with annual increase in losses. This suggests that enterprises which train their staff through job-specific training method also have task-oriented management staff both of which are associated with good performance of the enterprise. This is confirmed by the fact that there is a negative correlation between staff trained through job-specific training method and annual increase in enterprise losses. In other words enterprises characterized by staff trained through job-specific training method as well as task-oriented management staff are profit making rather than incurring losses.

Table 6.2 further shows that staff trained through off-the-job training method is positively associated with increases in profit (0.63) and task - oriented management staff (0.58). This pattern of linkage also show that the off-the-job training method is also positive to enterprise performance. In other words, training of any type is valuable to enterprise performance compared with no training at all. It can therefore be concluded that while job-specific training method has been found to be more valuable for enterprise performance any type of staff training is better for any enterprise than none.

6.2.4 Linkage of Leadership Variables

The highest and second highest co-efficients of correlation between the three leadership variables, that is variables 17, 18 and 19 show the trend of positive relationship between certain management practices and good performance of enterprises.

Thus, task oriented management staff is positively associated with staff trained through job-specific training method (0.75) and increase in turnover (0.70).

Similarly, active hands-on management staff is positively linked with task-oriented management staff (0.69) and percentage annual increase in profit (0.68). Finally, the worker participation variable is positively linked to increase in turnover (0.63) and the use of group output reward system (0.62). These patterns of linkages again confirm the fact that enterprises which are successful are positively associated with variables representing indicators of good enterprises performance.

6.2.5 Linkage with Goal Setting Variables

Table 6.2 shows that enterprises setting specific output target are also positively associated with variables representing indicators of good performance by enterprises. The table indicates that enterprises setting output target per month is positively associated with those setting output target per year (0.77) as well as staff recruitment through realistic job reviews (0.65). Similarly, enterprises setting output target per year is positively linked to those setting target per month as reported earlier as well as being negatively linked with staff recruitment through interviews (-0.70). These linkage patterns again demonstrate strong correlation among indicators of good performance by enterprises.

6.2.6 Linkages with Participants Assessment Variables

The variables used to monitor the performance assessment of workers and management staff of the enterprises have been found to indicate positive correlation patterns with objective indicators of performance. Table 6.2 shows that variables 24, 25, 26 and 27 which measure the worker and management staff assessment of their enterprises performance are linked positively or negatively with some other objective measures of performance. These include mode of recruitment, method of training, increase in turnover, increase in capital and worker's participation in decision making.

Closely related to the participants' assessment of the performance of their enterprises is their identification of the constraints facing the enterprises. Table 6.2 indicates the pattern of linkages among the variables. They show that there is general agreement amongst the participants with respect to the major factors contributing to the poor performance of enterprises. This explain the strong correlation among these factors which the respondents identified.

6.3 FACTOR ANALYSIS OF MANAGEMENT PRACTICES AND PERFORMANCE

The complexity of trying to handle a large number of interrelated variables in the form of simple associations such as we have dealt with above makes it necessary to carry out further analysis through the multi-variate statistical technique. In other to test and expand the assumptions suggested by the correlation co-efficient and ultimately to test the hypotheses articulated earlier in this study, the factor analysis technique was utilized.

6.3.1 The Factor analysis Model

Factor analysis is one of the more sophisticated forms of multivariate analysis about which much has already been written (Rumel, 1967; Harman, 1968). Closely related to factor analysis is the principal component analysis. Both of these techniques result in the collapsing of a set of intercorrelated variables into a smaller number of basic dimensions or composite variables. Although the method of principal components analysis and factor analysis have much in common and indeed often are referred to as though identical, there are important mathematical and conceptual differences between them. A short description of the differences is in order to show why the factor analysis model was chosen in this analysis.

Principal components analysis essentially involves an orthogonal transformation of a set of variables (xi, x2 - - - xm) into a new set (yi, y2 - - - ym). No attempt is made here to articulate the mathematics of an orthogonal transformation and the nature of the solution for the components (yi, y2 - - - ym) as there are well known computer programmes for handling and providing the solution. However, it should be pointed out that the transformation results in (yi, y2 - - - ym) being uncorrelated one with another, notwithstanding the fact that the orthogonal variables (xi, x2 - - - xm) may have been quite highly interrelated.

Also, it is important to note that there are so many components derived as there are variables, and the original total variance associated with (x_1, x_2 - - - xm) is preserved exactly in the total variance of the components (y_1, y_2 - - -ym).

The solution, moreover, is such that y_1 accounts for the highest proportion of this total variance y2 for the second largest share, and so on.

In factor analysis we are again concerned with finding a matrix [V] such that [V]. $[V]^r$ = R. The matrix [V] contains the factor loadings or correlations between the variables and the factors.

Whereas, in the principal components analysis the basic mode is of the form:

$$z_j = \sum_{k=1}^{p} Wjk\ Y_k^1 \quad \text{for j, k} = 1,2 \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \ p$$

and the original correlation matrix is produced exactly by the product $[W]\,.\,[W]^T$ the factor analysis model is

$$z_j = \sum_{r=1}^{p} Vjrfr + ej \quad \text{for j} = 1,2 \ \ldots\ldots\ldots\ldots\ldots\ldots \ p_{jm} \leq p$$

and the correlation matrix (R) is only partially reproduced by the product $[V]\,.\,[W]^T$.
The discrepancy is therefore with respect to the terms lying along the principal diagonal of the correlation matrix. In the principal components solution, these values are all ones, but in the reproduced correlation matrix given by $[V]\,.\,[V]^T$ most, if not all, of these values will be less than one.

The discrepancy sterms from the specification of the ej term in the basic factor model given above. In this sense, the problem is essentially one of model conceptualization and as Cattell (1965) has noted, there is exposed here the Achilles' hill of factor analysis.

Factor analysis, as Lawley and Maxwell (1963) emphasize, usually implies some hypotheses as to the number of common factors underlying the set of variables in the research problem. Armstrong (1967) has stressed the dangers inherent in the use of factor analysis when no such hypothesis or theory exists. The variance of every variable then is seen as involving some common variance accounted for by these factors, that is communality h_j, plus some variance associated with a factor ej specific to the variable in question. Hence

$$\sigma_j^2 = h_j^2 + \sigma_{ej}^2$$

Psychometricians usually insist on a distinction between two contributing influences in the σ_{ej}^2 terms. One is an error of measurement term for which σ_{ej}^2 is generally reserved, and the other is the specific variance σ_{uj}^2 "that rightly belongs to common factors yet unrepresented." Since in most social science research, we have little knowledge or experience as a whole for separating these two influences, here we shall use the term σ_{ej}^2 to represent the joint effect.

It is the communalities which appear along the principal diagonal of the correlation matrix in a factor analysis. Usually, these estimated values are inserted in the matrix (R) at the start of the analysis, and the mathematical solution can be pursued in the same way as the principal components solution, with a set of eigenvalues and the eignevectors being extracted. This is known as the principal axes solution.

Two other important questions arise in factor analysis, first, the matter of factor rotation and second, the need for an estimation procedure to obtain factor scores.

From a mathematical viewpoint, the rotation of factors can be viewed as a consequence of indeterminacy of the solutions. Certain suggestions as to a "simple structure" wherein each factor affects only a limited number of variables and in turn each variable is correlated with only a few of the factors generally have been followed. These are only qualitative statements, however, and to facilitate computer handling of the problem, some analytical procedures have been developed. The most commonly used of these is the Varimax and Quartimax routines which, by a series of orthogonal transformations of pairs of factors, seeks to simplify the columns of the factor loadings matrix [V]. Harman (1960, pp. 301 - 308) discusses the method in detail. It is these rotational procedures which have been used in this study.

6.3.2 The Initial Factor analysis: Solution and Rotation Procedures

The use of factor analysis in this study has been adapted to the problem of explaining the major factors influencing the performance of sixty business enterprises in the public and private sectors, of the Nigerian economy. It was designed particularly to summarize the major indicators influencing the differences in the performance of public and private sector enterprises on the one hand and amongst enterprises within a particular sector on the other. The analysis is therefore designed to test the hypotheses proposed earlier in chapter 2 of this study. The 60 x 35 data set discussed earlier in this chapter provided the basis for the factor analysis. The Pearsonian's Product Moment Correlation Coefficient were calculated between each pair of variables to provide a 35 x 35 similarity matrix.

A factor analysis with units in the diagonal of the similarity matrix produced 18 significant factors explaining 93.0 per cent of the original variance (Table 6.3). An examination of Table 6.3 shows that the first factor with the eigenvalue of 13.3 accounted for 38.1 per cent of the total variance in the data set. The second factor with eigenvalue of 3.97 accounted for 11.4 per cent of the total variance while the third factor with the eigenvalue of 2.33 accounted for 6.7 per cent. The Fourth factor with eigenvalue of 1.88 accounted for 5.4 per cent of the total variance. If all the factors with eigenvalues of 1 and above are considered, a total of eight major factors which account for 76 per cent of the total variance in the data set will be identified.

As more than three-quarters of the variance can be explained by the eight factors space compared with the thirty-five variable space, it is not surprising to find that the communalities are uniformly high (Table 6.4). As indicated on Table 6.4 twenty-nine variables have communalities of over 0.7 and only six variables lie below 0.7.

TABLE 6.3

Percentage Variance accounted for by various factor extracted during the factor analysis.

Factor	Eigenvalue	Pct of Var	Cum
1	13.32164	38.1	38.1
2	3.98638	11.4	49.5
3	2.33219	6.7	56.1
4	1.88444	5.4	61.5
5	1.56736	4.5	66.0
6	1.40492	4.0	70.0
7	1.09050	3.1	73.1
8	1.01733	2.9	76.0
9	.85743	2.4	78.5
10	.81864	2.3	80.8
11	.69407	2.0	82.8
12	.66278	1.9	84.7
13	.62683	1.8	86.5
14	.57188	1.6	88.1
15	.50746	1.4	89.6
16	.44571	1.3	90.8
17	.41321	1.2	92.0
18	.34285	1.0	93.0
19	.31632	.9	93.9
20	.28391	.8	94.7
21	.26488	8	95.5
22	.24132	.7	96.1
23	.22334	.6	96.8
24	.18730	.5	97.3
25	.16694	.5	97.8
26	.12898	.4	98.2
27	.11532	.3	98.5
28	.11355	.3	98.8
28	.09185	.3	99.1
30	.08268	.2	99.3
31	.07587	.2	99.5
32	.05529	.2	99.8
33	.05058	.1	99.8
34	.03377	.1	99.9
35	.02247	.1	100.0

An attempt was further made in the analysis to examine the fact that the factors identified are indeed orthogonal in which case each of the 35 variables as far as possible is highly associated with only one factor. As a result, analytical rotation techniques have been used by factor analysts in the search for a simpler structure that isolates the separate dimensions determining the performance of private and public enterprises. However, before the initial solution can be rotated, and interrelated, a decision has to be made over the cut-off points, namely the minimum size of factor loading that is worth interpreting and the number of factors to rotate. Ideally, one might consider that some of the statistical tests proposed by Burr (1952) in respect of factor loading or by Barlett (1950) with respect to the number of factors may be used. Experience with these tests in the literature (Harman, 1968) has shown that their utility is quite limited. Most analysts have only interpreted those factors with eigenvalues over 1.0. This approach is adopted in this analysis. Consequently, the eight factors which have eignevalues over 1.0 were subjected to two types of rotation. The result of the rotation iterations demonstrated that a fairly stable pattern of factor dimensions was present. However, it was observed that an eight-factor analysis subjected to Quartimax rotation represented best the structure of association between the management practices of the 60 sampled private and public sector enterprises in the study area. The substantive nature of these eight factors is next examined.

6.4 THE FACTOR STRUCTURES

An examination of the loading of each variable on the eight factors identified in the preceding section and the corresponding factor scores of each of the sixty sampled enterprises allows for some meaningful interpretations to be given to the factors. The names given to the factors should be viewed in the context of the study and the variables used.

TABLE 6.4

The Communality of the Factor Variables

Variable Pct	Communality	Factor	Eigenvalue	Pct of Var	Cum
V1	.86949	1	13.32164	38.1	38.1
V2	.66950	2	3.98638	11.4	49.5
V3	.82329	3	2.33219	6.7	56.1
V4	.80153	4	1.88444	5.4	61.5
V5	.71703	5	1.56736	4.5	66.0
V6	.81821	6	1.40492	4.0	70.0
V7	.83452	7	1.09050	3.1	73.1
V8	.72164	8	1.01733	2.9	76.0
V9	.72940			2.4	
V10	.74347			2.3	
V11	.85620			2.0	
V12	.71099			1.9	
V13	.68362			1.8	
V14	.80230			1.6	
V15	.81187			1.4	
V16	.68770			1.3	
V17	.74201			1.2	
V18	.73576			1.0	
V19	.77468			.9	
V20	.60226			.8	
V21	.82115			8	
V22	.79933			.7	
V23	.80182			.6	
V24	.68219			.5	
V25	.84007			.5	
V26	.72276			.4	
V27	.70668			.3	
V28	.76242			.3	
V28	.74062			.3	
V30	.83500			.2	
V31	.77881			.2	
V32	.65776			.2	
V33	.83051			.1	
V34	.77971			.1	
V35	.71047			.1	

It is in the nature of factor analysis that the real meaning comes out of the degree to which extent socio-economic relationships amongst observations such as enterprises in this study are described by the factors. The names therefore are descriptive labels and indeed each factor is a mathematical statement of relationships of all the variable used in the analysis.

In looking at the important loadings on each of the eight factors extracted, several alternatives are available which could significantly affect the interpretation of results. It must be noted that every loading is of some importance but in order to select the most diagnostic variables some choice must be made (Hope, 1968). Significance test are sometimes used in setting limits on the loading chosen (Thurstone, 1947). In most socio-economic studies researchers adopt approximately $\pm$ 0.3 or $\pm$ 0.4 as the cut-off points for distinguishing significant loadings. In this analysis, $\pm$ 0.3 was chosen as the absolute cut-off point, but three sets of positive and three sets of negative loadings were identified by grouping all the significant loadings into three categories: high (1.00 to 0.70); medium (0.69 to 0.50) and low (0.49 to 0.3). This procedure made it easier to focus attention upon the high as opposed to the low loadings and eased the problems of interpreting and naming the factors. This also lessened the impact of an arbitrary choice of factor loading cut-off point and produced a simple structure in statistical terms.

Closely related to the analysis of the loading of the 35 variables on the eight rotated factors is the score of the 60 public and private enterprises on each of the eight factors. The determination of the scores of each enterprise on the various factors extracted permits a more accurate weighing of these variables by each enterprise in the two sectors. In this analysis the scores of each of the enterprises on each of the eight factors were extracted. In order to examine the relative performance of the various enterprises with respect to each of the eight factors the scores were divided into four size classes. The first class comprises enterprises with the highest positive scores (+ 1.00 and above). The second class identifies enterprises with lower positive scores (0.00 to

+ 0.99). The third class groups the enterprises with lower negative scores (-0.99 to 0.00). Finally, there are the enterprises with the highest negative scores (-1.00 and under).

TABLE 6.5
Loadings of the Original Variables on the First Factor

No	Name	Factor Loading	No	Name	Factor Loading
1	Age of Enterprise in Years	-0.08	18.	% of Active Hands-on Management	0.66
2	% Increase in Capital	0.62	19.	% of Decision with Worker Participation	0.69
3	% Increase in Turnover	0.87	20.	No. of Department in Enterprise	-0.12
4	Average Annual % Increase in Profit	0.86	21.	No of Hierarchical Levels	-0.51
5	% Increase in Size of Employment	-0.36	22.	% of Enterprises Setting output per worker per month	0.75
6	% of Group Output Reward	0.65	23.	% of Enterprises setting Output per Year	0.81
7.	% of Idividual Output Reward	0.58	24.	% of Management Dissatisfied	-0.68
8.	% of Judgement Based Reward	0.56	25.	% of Workers Dissatisfied	-0.79
9.	% of Time Based Reward	-.58	26.	% of Management Dissatisfied	-0.68
10.	% Use of Tests in Recruitment	0.22	27.	% of Workers Satisfied	0.50
11.	% Use of Interviews in Recruitment	-0.81	28.	% of Attributing Performance to Attitude to work	0.59
12.	% Use of Personal History in Recruitment	0.63	29.	% Attributing Performance to Technology	-0.56
13.	% Use of Reference Checks in Recruitment	0.58	30.	% of attributing Performance to inadequate infrastructure	-0.52
14.	% Use of Realistic Job Recuritment	0.32	31.	% of Attributing Performance over bureaucracy	-0.55
15.	% Use of Job Specific Training	0.85	32.	% of Attributing poor Performance to Instability of Govt. Policies	-0.26
16.	% Use of Off-The Job Training	0.59	33.	% of Attributing to Lack of Capital	-0.48
17.	% Use of Task-Oriented Management	0.79	34.	% of Attributing to Employment Insecurity	-0.67
			35.	% of Annual Increase in Losses	-0.80

6.4.1 Factor 1

The first factor which as noted earlier accounted for 38.1 per cent of the total variance is no doubt the most important factor. It has both positive and negative loading of most variables on it. This bipolar factor associates the positive relationship between the various variables measuring the performance of enterprises on the one hand and the different indicators influencing their performance on the other.

Table 6.5 indicates that the coefficients are high (greater than (± 0.70 for nine of the thirty-five variables and moderately high (± 0.50 to ± 0.69) for nineteen other variable. Finally, the co-efficient are low (± 0.30 to ± 0.49) for three variables. This shows that twenty-one of the thirty-five variables load significantly on this first factor. In other words, the first factor explains mainly the determinants of the performance of private and public enterprises in the study area. Table 6.5 indicates that the enterprises which score highly and positively on this factor have experienced improved performance over the years as reflected in the increase in their capital base, (variable 2 loading 0.62); increase in turnover (variable 3 loading 0.87) and increases in profit (variable 4 loading 0.86). The pattern of factor loadings also show that such enterprises that have performed well are characterized by the use of certain management practices which obviously influence their performance. Table 6.5 indicates that such effective management practices include the use of group output reward (variable 6 loading 0.65), individual output reward (variable 7, loading 0.58) and judgement based reward (variable 8 loading 0.56). The table also indicates that the enterprises that score positively on these variables use significantly personal history in staff recruitment (variable 12, loading 0.63), reference checks in recruitment (variables 13, loading 0.58), and use of job previews (variable 14, loading 0.32). As far as training is concerned, the enterprises that score positively on the first factor use job-specific training (Variable 15, loading 0.85) and off-the-job training (Variable 18, loading 0.66) and worker participation in decision making (Variable 19, loading 0.69). The enterprises that score highly on this factor as reflected in the loading pattern are characterized by the use of production target setting (Variable 22, loading 0.75; and Variable 23 loading 0.18). Finally, the enterprises that score positively on this factor are also characterized by management staff and workers that are satisfied with the performance of the enterprises in which they work (Variable 26, loading 0.56 and Variable 27, loading 0.50).

Table 6.5 further shows the variables that load negatively on the first factor which indicates that some enterprises do not have the performance record and the associated determinants as outlined in the preceding paragraphs. In other words, enterprises with significant negative scores on the first factor performed poorly over the years by incurring losses rather than making profits (Variables 35, loading -0.80). Such enterprises are therefore associated with certain management practices which are not conducive to improved performance. Table 6.5 indicate that these poor performing enterprises are characterized by unnecessary increases in employment size without due regard to need (Variable 5, loading -0.36), use of time based reward system (Variable 9, loading -0.58), use of interviews in recruitment (Variable 11, loading -0.81) and a higher hierarchical level of decision making (Variable 21, loading -0.51). The workers and the management staff in such enterprises are not satisfied with their performance and in some cases basically frustrated (Variable 24, loading -0.68 and Variable 25, loading (-0.79). Finally, the participants, that is workers and management staff, in the enterprises that score negatively on the first factor also identify a variety of reasons why their enterprises perform poorly. This is demonstrated by the negative loading of attitude to work (Variable 28, loading -0.59), poor technology (Variable 29, loading -0.56), inadequate infrastructure (Variable 30, loading -0.52), over-bureaucracy (Variable 31, loading -0.55), lack of capital (Variable 33, loading -0.48) and employment insecurity (Variable 34, loading -0.67).

In the discussion so far, no reference has been made to the specific enterprises that score positively or negatively on this dominant factor. In view of the pattern of variable loadings as discussed in the preceding paragraphs, the first factor can be used to separate poor performing from good performing enterprises as well as isolate the determining factors for their performance or otherwise. It is important therefore to determine the specific score of the sixty enterprises on this major factor.

TABLE 6.6
The Scores of the Surveyed Enterprises on the First Factor

No	Private Sector Enterprise Name	Factor Score	No	Public Sector Enterprise Name	Factor Score
1.	TENPOFLO	0.69	31.	BENDELEL	1.32
2.	AMBIKPRE	-0.32	32.	DELTASTE	-0.59
3.	JOHNHOLT	1.81	33.	AJAGBODU	-0.01
4.	EDEWORPR	0.71	34.	BENDELPH	-1.29
5.	S.M.O.AKA	-0.02	35.	DELTABOA	-1.17
6.	COTTONMI	0.76	36.	BENEDLPR	-0.62
7.	GUINNESSN	1.78	37.	ETHIOPE	-0.91
8.	SAIDECEN	1.66	38.	BENDELNE	-1.13
9.	OKPARAVE	0.55	39.	EDOBROAD	-0.68
10.	EKENETRA	1.56	40.	ASABATEX	0.18
11.	UNIQUEBO	0.34	41	EDOHOTEL	-0.95
12.	GREATERT	0.56	42.	AGBEDEWA	-1.56
13.	IGBINEDI	1.08	43.	PREMIERB	-0.10
14.	ALLIEDST	0.58	44.	BENDELCE	-1.59
15.	EZENWAPL	0.92	45.	FED.GOVT.	-1.38
16.	LIFEBREE	1.09	46.	EDOCOLLE	-1.17
17.	NIGERPAP	0.54	47.	BENDELIN	1.32
18.	OLYMPICF	0.73	48.	NEWNIG.B	-0.73
19.	NMAGEORG	-0.09	49.	UNIBENBO	-1.52
20.	IJUIMDUS	0.98	50.	GEN.HOSP	-1.63
21.	EDOY&SON	0.69	51.	BENDELBR	-1.36
22.	GEOLISCA	1.26	52.	EDOLINE	0.29
23.	A.M.E.S.A.	0.72	53.	DELTAGLA	-1.34
24.	IKPOBARU	-0.79	54.	DELTATRA	0.14
25.	WASSAMMO	-0.34	55.	PIONEROI	0.16
26.	WARRIBOT	1.19	56.	NIG.NATS	-0.99
27	DELTACAR	0.07	57.	NIG.NATF	-1.29
28.	ASABAALU	-0.41	58.	NEWNIG.S	-0.11
29.	ALSTATET	0.85	59.	BENDELWO	0.24
30.	OKOMU	0.90	60.	BENDELWA	-1.40

Table 6.6 presents the scores of the various enterprises on Factor One. The first 30 enterprises are private sector ones while the last thirty i.e., serial number 31 to 60 are public sector enterprise. The findings show that eight of the thirty private sector enterprises have high positive scores on this factor (that is, +1.00 and above). On the other hand, only two of the thirty public sector enterprises have similar positive scores. These enterprises can be regarded as those performing well with the associated positive determinants of good performance. Thus, more of the private sector enterprises i.e. 26.6 per cent are in this category of good performance compared with only 0.6 per cent of those in the public sector. A further examination of Table 6.6 indicates that 15 of the private sector enterprises have fairly high positive scores of 0.34 to 0.99 which indicates that these enterprises are doing fairly well in terms of their overall performance and the associated management practices which determine that performance. In contrast, none of the public sector enterprises is in this category which indicate that not even one of the public sector enterprises can be classified in this category. Finally, five of the public sector and none of the private sector enterprises have very low positive score of between 0.01 and 0.29 which indicates some marginal performance or the characterization of effective management practices.

On the other hand, Table 6.6 indicates that most of the enterprises that score negatively on this factor are in the public sector which indicates that they are not performing well and do not possess the effective management practices necessary for good performance. Table 6.6 shows that 13 of the public sector enterprises that is 43.3 per cent have high negative scores of over -1.00 and below. Another six enterprises in the public sector scored between -0.30 and -0.99. Finally, four other public sector enterprises scored between -0.01 and 0.29 while only six private sector enterprises have negative scores on this first factors. There is no doubt that the patterns of scores of the 60 enterprises on the first factor shows clearly that private sector enterprises not only perform better but they are characterized by management practices and organizational patterns that are effective and therefore conducive to good performance.

Table 6.7
Loadings of the Original Variables on the Second Factor.

No	Name	Factor Loading	No	Name	Factor Loading
1	Age of Enterprise in Years	-0.02	18.	% of Active Hands-on Management	0.27
2	% Increase in Capital	0.19	19.	% of Decision with Worker Participation	0.30
3	% Increase in Turnover	0.15	20.	No. of Department in Enterprise	0.61
4	Average Annual % Increase in Profit	0.18	21.	No of Hierarchical Levels	0.58
5	% Increase in Size of Employment	0.49	22.	% of Enterprises Setting output per worker	0.12
6	% of Group Output Reward	0.39	23.	% of Enterprises setting out per Year	0.14
7.	% of Individual Output Reward	0.60	24.	% of Management Dissatisfied	0.10
8.	% of Judgement Based Reward	0.56	25.	% of Workers Dissatisfied	0.27
9.	% Use of Time Based Reward	0.24	26.	% of Management Satisfied	0.20
10.	% Use of Test in Recruitment	0.67	27.	% of Workers Satisfied	0.31
11.	% Use of Interviews in Recruitment	0.27	28.	% of Attributing Performance to Attitude	-0.03
12.	% Use of Personal History in Recruitment	-0.12	29.	% of Attributing Performance to Technology	0.31
13.	% Use of Reference Checks Recruitment	-0.00	30.	% Attributing Performance to inadequate Infrastructure	0.35
14.	% Use of Realistic Job Previews in Recruitment	0.02	31.	% Attributing Performance to over bureaucracies	0.48
15.	% Use of Job Specific Training	-0.05	32.	% Attributing poor Performance to Instability of Govt. Policies	0.61
16.	% Use of Off-the Job Training	0.24	33.	% Attributing to Lack of Capital	0.23
17.	% of Task-Oriented Management	0.12	34.	% Attributing to Employment Insecurity	0.37
			35.	% Annual Increase in Losses	0.17

6.4.2 Factor 2

The second factor which accounts for 11.4 per cent of the total variance isolates some other management practices and organizational characteristics which are quite significant in the sense that they came out as important indicators in another independent factor. Table 6.7 which presents the loadings of the 35 variables on the second factor shows that this factor isolates some management and organizational practices and patterns which are not effective in stimulating good performance of enterprises. Thus, the variables that loaded highly on this factor included increase in size of employment (Variable 5, loading 0.49), individual output reward system (Variable 7, loading 0.60), presence of a high number of departments (Variable 20, loading 0.61), the existence of tall hierarchies (Variable 21, loading 0.58). The enterprises loading highly on this factor are characterized as expected by workers who are not satisfied by the performance of their enterprises (Variable 27, loading 0.31) as well as those advancing various reasons for the poor performance of their enterprises (Variable 29, loading 0.31, variable 30, loading 0.58, variable 32, variable 31, loading 0.48, variable 32, loading 0.61, and variable 34, loading 0.37). Finally, Table 6.7 shows that some enterprises

TABLE 6.8
The Scores of the Surveyed Enterprises on the Second Factor

No	Private Sector	Factor Score	No	Public Sector	Factor Score
1.	TENPOFLO	0.41	31.	BENDELEL	0.15
2.	AMBIKPRE	2.35	32.	DELTASTE	-1.74
3.	JOHNBOLT	-2.10	33.	AJAGBODU	0.37
4.	EDEWORPR	0.13	34.	BENDELPH	-0.93
5.	S.M.O.AKA	1.99	35.	DELTABOA	-1.63
6.	COTTONMI	-0.11	36.	BENEDLPR	-0.26
7.	GUINESSN	-1.75	37.	ETHIOPE	0.02
8.	SAODECEN	-1.64	38.	BENDELNE	-1.09
9.	OKPARAVE	0.23	39.	EDOBROAD	-0.25
10.	EKENETRA	-0.74	40.	ASABATEX	-1.36
11.	UNIQUEBO	0.65	41.	EDOHOTEL	-0.35
12.	GREATERT	1.31	42.	AGBEDEWA	-0.32
13.	IGBINEDI	-0.52	43.	PREMIERB	1.22
14.	ALLIEDST	0.21	44.	BENDELCE	-0.28
15.	EZENWAPL	0.31	45.	FED.GOVT	1.00
16.	LIFEBREE	-0.66	46.	EDOCOLLE	0.50
17.	NIGERPAP	0.37	47.	BENDELIN	-0.30
18.	OLYMPICF	-0.11	48.	NEWNIG.B	-0.75
19.	NMAGEORG	2.41	49.	UNIBENBO	0.44
20.	IJUIMDUS	-0.65	50.	GEN.HOSP	1.00
21.	EDOY&SON	1.62	51.	BENDELBR	-1.11
22.	GEOLISCA	-0.02	52.	EDOLINE	0.10
23.	A.M.E.SA	1.01	53.	DELTAGLA	0.01
24.	IKPOBARU	0.65	54.	DELTRATRA	-0.10
25.	WASSAMMO	0.75	55.	PIONEROI	-1.03
26	WARRIBOT	0.14	56.	NIG.NATS	-1.42
27	DELTACAR	2.05	57.	NIG.NATF	0.09
28	ASABAALU	-0.84	58.	NEWNIG.S	-0.01
29	ALSTATET	-0.27	59.	BENDELWO	0.10
30	OKOMU	0.49	60.	BENDELWA	-0.34

that score positively on this variable also use group output reward system (variable 7, loading 0.60) and judgement based reward system (variable 8, loading 0.56). The loading of these variables which represent effective management practices that facilitate improved performance shows that the second factor also represent some aspects of the indicators which encourage good performance by the enterprises.

Table 6.8 which shows the scores of the various enterprises surveyed on the factor provides further insights into the characteristics of the factor. The pattern of scores by enterprises in both sectors confirms the observation made earlier that the second factor represents elements of positive and negative management practices and organizational patterns which influence the performance of enterprises. The table shows that while some private sector enterprises scored negatively on this factor, others scored positively. Similarly, a large number of the public sector enterprises scored negatively on this factor while others scored positively. This pattern of scores on this second factor can be explained by the effects of the two groups of variables that loaded on the factor. The variables that represent the less effective management practices will attract positive scores from public sector enterprises and negative scores from private sector ones. On the other hand, variables that represent effective management practices will attract positive scores mainly from private sector enterprises and largely negative scores from public sector ones. The findings therefore confirms the argument that has been advanced in this study so far that private sector enterprises perform better than public sector ones because of their more effective management practices.

TABLE 6.9
Loadings of the Original Variables on the Third Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	0.59	18.	% of Active Hands-on Management	-0.10
2.	% Increase in Capital	0.09	19.	% of Decisions with Worker Participation	-0.05
3.	% Increase in Turnover	0.01	20.	No. of Departments in Enterprise	-0.05
4.	Average Annual % Increase in Profit	0.03	21.	No. of Hierarchical Levels	-0.20
5.	% Increase in Size of Employment	-0.09	22.	% of Enterprises Setting output per worker	0.14
6.	% of Group Output Reward	-0.13	23.	% of Enterprises setting output per Year	0.20
7.	% of Individual Output Reward	0.20	24.	% of Management Dissatisfied	0.08
8.	% of Judgement Based Reward	0.07	25.	% of Workers Dissatisfied	0.16
9.	% of Time Based Reward	-0.34	26.	% of Management Satisfied	-0.03
10.	% Use of Tests in Recruitment	-0.23	27.	% of Workers Satisfied	-0.36
11.	% Use of Interviews in recruitment	-0.20	28.	% of Attributing Performance to attitude to work	0.45
12.	% Use of Personal History in recruitment	0.44	29.	% Attributing Performance to Technology	0.53
13.	% Use of Reference Checks in Recruitment	0.29	30.	% Attributing Performance to inadequate Infrastructure	0.60
14.	% Use of Realistic Job Previews in Recruitment	0.31	31.	% Attributing Performance over bureaucracies	0.25
15.	% Use of Job Specific Training	0.14	32.	% Attributing poor Performance in Instability of Govt. Policies	0.22
16.	% Use of Off-the Job Training	-0.17	33.	% Attributing to Lack of capital	-0.10
17.	% of Task-Oriented Management	-0.04	34	% Attributing to Employment Insecurity	-0.14
			35	% Annual Increase in Losses	-0.08

TABLE 6.10
The Scores of the surveyed Enterprises on the Third Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	2.07	31.	BENDELFL	-1.32
2.	AMBIKPRE	1.95	32.	DELTASTE	-0.84
3.	JOHNHOLT	1.37	33.	AJAGBODU	-1.63
4.	EDEWORPR	2.55	34.	BENDELPH	0.32
5.	S.M.O. AKA	0.66	35.	DELTABOA	0.38
6.	COTTONMI	2.01	36.	BENEDLPR	-0.07
7.	GUINNESSN	-0.01	37.	ETHIOPE	-0.37
8.	SAIDECEN	-0.01	38.	BENDELNE	1.06
9.	OKPARAVE	1.35	39.	EDOBROAD	0.53
10.	EKENETRA	-0.87	40.	ASABATEX	-0.55
11.	UNIQUEBO	1.43	41.	EDOHOTEL	-1.49
12.	GREATERT	-0.06	42.	AGBEDEWA	1.38
13.	IGBINEDI	0.92	43.	PREMIERB	-1.54
14.	ALLIEDST	0.14	44.	BENDELCE	0.28
15.	EZENWAPL	-0.61	45.	FED.GOVT.	-0.76
16.	LIFEBREE	-0.47	46.	EDOCOLLE	-0.92
17.	NIGERPAP	-0.22	47.	BENDELIN	0.57
18.	OLYMPICF	-0.67	48.	NEWNIG.B	-0.86
19.	NMAGEORG	-0.29	49.	UNIBENBO	0.64
20.	IJUIMDUS	-0.21	50.	GEN.HOSP	-0.49
21.	EDOY&SON	0.74	51.	BENDELBR	0.54
22.	GEOLISCA	0.06	52.	EDOLINE	-1.00
23.	A.M.E.SA	-0.61	53.	DELTAGLA	-0.39
24.	IKPOBARU	-0.18	54.	DELTATRA	-0.57
25.	WASSAMMO	-0.91	55.	PIONEROI	-1.21
26.	WARRIBOT	-0.55	56.	NIG.NATS	0.94
27.	DELTACAR	0.21	57.	NIG.NATF	0.74
28.	ASABAALU	0.60	58.	NEWNIG.S	-1.84
29.	ALSTATET	-1.05	59.	BENDELWO	-1.57
30.	OKOMU	0.18	60.	BENDELWA	0.51

6.4.3 Factor 3

The third factor which accounts for 6.7 per cent of the total variance brings into focus the role of years of existence of an enterprise in the examination of the performance of enterprises (Table 6.9). Although it was noted earlier in this study that length of existence of public sector enterprises may not be a good indicator of their performance, there is no doubt that in the private sector it is an important indicator. This explains the emergence of the age of an enterprise as an important variable loading positively on the third factor (Variable 1, loading 0.59). The table further shows that some effective staff recruitment practices which have been noted as contributing positively to the performance of enterprises also load positively on this factor. These are, use of personal history in staff recruitment (Variable 12, loading 0.31). Table 6.9 also shows the loadings of other variables such as the use of time-based reward system which as expected loaded negatively (Variable 9, loading -0.34), and workers' evaluation of the performance of their enterprises (Variable 27, loading -0.36). As usual the participants' evaluation of the factors influencing the poor performance of enterprises also loaded highly and positively on the third factor. The constant loading of the variables reflecting the participants' perception of the reasons contributing to the poor performance of enterprises is due to the fact that even those working in the successful private and public sector ones also adduce reasons for the poor performance of enterprises in Nigeria.

Table 6.10 indicates that scores of private and public enterprises on this factor are generally low. However, seven private sector enterprises scored above + 1.00 compared with only two in the public sector. This shows, as pointed out earlier, that the age of an enterprise in years and the positive association between age and other variables representing effective management practices which loaded positively on this factor are largely associated with private sector enterprises.

TABLE 6.11

Loadings of the Original Variables on the Fourth Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	0.02	18.	% of Active Hands-on Management	-0.19
2.	% Increase in Capital	0.24	19.	% of Decisions with Worker Participation	0.20
3.	% Increase in Turnover	0.12	20.	No. of Departments in Enterprise	-0.32
4.	Average Annual % Increase in Profit	0.03	21.	No. of Hierarchical Levels	-0.23
5.	% Increase in Size of Employment	0.05	22.	% of Enterprises Setting output per worker	-0.24
6.	% of Group Output Reward	0.05	23.	% of Enterprises setting output per Year	-0.20
7.	% of Individual Output Reward	-0.07	24.	% of Management Dissatisfied	0.30
8.	% of Judgement Based Reward	0.04	25.	% of Workers Dissatisfied	0.25
9.	% of Time Based Reward	0.36	26.	% of Management Satisfied	0.50
10.	% Use of Tests in Recruitment	0.18	27.	% of Workers Satisfied	0.17
11.	% Use of Interviews in recruitment	0.15	28.	% of Attributing Performance to attitude to work	0.32
12.	% Use of Personal History in recruitment	0.18	29.	% Attributing Performance to Technology	-0.13
13.	% Use of Reference Checks in Recruitment	0.44	30.	% Attributing Performance to inadequate Infrastructure	-0.05
14.	% Use of Realistic Job Previews in Recruitment	0.45	31.	% Attributing Performance over bureaucracies	-0.38
15.	% Use of Job Specific Training	-0.23	32.	% Attributing poor Performance in Instability of Govt. Policies	-0.12
16.	% Use of Off-the Job Training	-0.07	33.	% Attributing to Lack of capital	0.25
17.	% of Task-Oriented Management	0.05	34	% Attributing to Employment Insecurity	0.16
			35	% Annual Increase in Losses	0.03

TABLE 6.12

The Scores of the surveyed Enterprises on the Fourth Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	2.10	31.	BENDELFL	0.82
2.	AMBIKPRE	1.61	32.	DELTASTE	0.10
3.	JOHNHOLT	1.79	33.	AJAGBODU	1.09
4.	EDEWORPR	-0.41	34.	BENDELPH	-0.36
5.	S.M.O. AKA	3.15	35.	DELTABOA	-1.25
6.	COTTONMI	0.53	36.	BENEDLPR	1.24
7.	GUINNESSN	0.25	37.	ETHIOPE	1.03
8.	SAIDECEN	0.87	38.	BENDELNE	-0.22
9.	OKPARAVE	-0.42	39.	EDOBROAD	0.87
10.	EKENETRA	-0.38	40.	ASABATEX	0.37
11.	UNIQUEBO	-1.10	41.	EDOHOTEL	0.93
12.	GREATERT	1.01	42.	AGBEDEWA	0.15
13.	IGBINEDI	-1.38	43.	PREMIERB	-0.39
14.	ALLIEDST	1.11	44.	BENDELCE	0.18
15.	EZENWAPL	-1.06	45.	FED.GOVT.	-0.24
16.	LIFEBREE	-0.87	46.	EDOCOLLE	0.35
17.	NIGERPAP	0.66	47.	BENDELIN	-0.21
18.	OLYMPICF	-1.16	48.	NEWNIG.B	-1.01
19.	NMAGEORG	0.08	49.	UNIBENBO	-1.02
20.	IJUIMDUS	-0.32	50.	GEN.HOSP	-0.03
21.	EDOY&SON	-1.63	51.	BENDELBR	-0.61
22.	GEOLISCA	-0.40	52.	EDOLINE	0.82
23.	A.M.E.SA	-1.91	53.	DELTAGLA	0.37
24.	IKPOBARU	0.16	54.	DELTATRA	0.79
25.	WASSAMMO	-1.37	55.	PIONEROI	1.32
26.	WARRIBOT	-0.55	56.	NIG.NATS	0.01
27.	DELTACAR	-0.44	57.	NIG.NATF	-0.76
28.	ASABAALU	-1.39	58.	NEWNIG.S	0.44
29.	ALSTATET	-0.33	59.	BENDELWO	0.45
30.	OKOMU	-1.70	60.	BENDELWA	-1.13

6.4.4 Factor 4

The fourth factor which accounts for 5.4 per cent of the total variance demonstrates the importance of the mode of recruitment of staff as independent variables influencing the performance of enterprises in the study area. Table 6.11 indicates that two variables associated with the mode of staff selection are closely associated with this factor (Variable 14, loading 0.45). The positive loading of management staff satisfaction with their enterprise performance on this factor (Variable 26, loading 0.50) further confirms the fact that this factor associates with enterprises which performs well largely through the selection of good staff.

The scores of the various enterprises on this factor as reflected in Table 12 shows that private sector enterprises scored higher on this factor than the public sector ones. For example, while 15 private sector enterprises have either positive or negative score of over +1.00 only 7 of those in the public sector are in a similar category. This shows that more effective staff selection takes place in private sector enterprises compared with public sector ones with the usual implications for the differences in their performance.

6.4.5 Factors 5, 6, 7 and 8

The remaining four factors extracted in this analysis accounts for a smaller proportion of the total variance with factor 5 accounting for 4.5 per cent, Factor 6 accounting for 4.0 per cent, Factor 7 accounting for 3.1 per cent and Factor 8 accounting for 2.9 per cent. Each of these factors emphasized one or two variables which obviously make independent and significant contributions to the performance pattern of enterprises in the public and private sectors. Table 5.13 indicates that Factor 5 emphasizes the role of the lack of access to capital as a major factor influencing the performance of enterprises (Variable 33, loading 0.65). The uncontrolled increase in employment especially in the public sector is also associated with this factor (Variable 5, loading (-0.44). The high positive scores of enterprises in both public and private sectors as indicated in Table 6.14 suggests that the problems of lack of capital in terms of access is much more acute in the public sector enterprises. This explains why scores on this factor is fairly high in both sectors.

Table 6.15 emphasizes the role of training in the performance of enterprises as the sixth factor showed the loading of Variable 16 (0.45) as the major variable that is associated with it. The scores of the individual enterprises (Table 6.16) indicates that enterprises in both sectors scored positively on this variable which indicates that off-the job training is carried out by enterprises in both sectors.

Finally, Factor 7 and 8 also emphasize the importance of some indicators in the performance of enterprises. In factor 7, it is mode of staff selection which was identified earlier while in Factor 8, it is the age of the enterprise as also identified earlier (Tables 6.17 and 6.19). The scores of the enterprises on these two factors are reflected in tables 6.18 and 6.20 and are generally low because the variables that loaded on these factors have also been considered in earlier factors. However, their reoccurrence as separate factors shows their importance as determinants of the performance of enterprises in the study area.

TABLE 6.13

Loadings of the Original Variables on the Fifth Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	-0.15	18.	% of Active Hands-on Management	0.06
2.	% Increase in Capital	-0.28	19.	% of Decisions with Worker Participation	0.26
3.	% Increase in Turnover	-0.13	20.	No. of Departments in Enterprise	0.01
4.	Average Annual % Increase in Profit	-0.11	21.	No. of Hierarchical Levels	-0.18
5.	% Increase in Size of Employment	-0.44	22.	% of Enterprises Setting output per worker	0.26
6.	% of Group Output Reward	-0.01	23.	% of Enterprises setting output per Year	0.02
7.	% of Individual Output Reward	0.04	24.	% of Management Dissatisfied	0.20
8.	% of Judgement Based Reward	-0.08	25.	% of Workers Dissatisfied	0.06
9.	% of Time Based Reward	-0.10	26.	% of Management Satisfied	-0.21
10.	% Use of Tests in Recruitment	-0.30	27.	% of Workers Satisfied	0.24
11.	% Use of Interviews in recruitment	-0.21	28.	% of Attributing Performance to attitude to work	-0.13
12.	% Use of Personal History in recruitment	-0.17	29.	% Attributing Performance to Technology	-0.02
13.	% Use of Reference Checks in Recruitment	-0.01	30.	% Attributing Performance to inadequate Infrastructure	0.11
14.	% Use of Realistic Job Previews in Recruitment	0.29	31.	% Attributing Performance over bureaucracies	-0.00
15.	% Use of Job Specific Training	-0.01	32.	% Attributing poor Performance in Instability of Govt. Policies	0.27
16.	% Use of Off-the Job Training	0.17	33.	% Attributing to Lack of capital	0.65
17.	% of Task-Oriented Management	0.16	34	% Attributing to Employment Insecurity	0.25
			35	% Annual Increase in Losses	-0.08

TABLE 6.14

The Scores of the surveyed Enterprises on the Fifth Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	1.80	31.	BENDELFL	-0.80
2.	AMBIKPRE	0.80	32.	DELTASTE	2.16
3.	JOHNHOLT	-1.33	33.	AJAGBODU	-0.00
4.	EDEWORPR	-1.32	34.	BENDELPH	0.37
5.	S.M.O. AKA	0.64	35.	DELTABOA	1.37
6.	COTTONMI	0.15	36.	BENEDLPR	-0.52
7.	GUINNESSN	-1.37	37.	ETHIOPE	0.96
8.	SAIDECEN	0.27	38.	BENDELNE	0.86
9.	OKPARAVE	-1.61	39.	EDOBROAD	-1.06
10.	EKENETRA	1.51	40.	ASABATEX	-0.22
11.	UNIQUEBO	0.92	41.	EDOHOTEL	0.61
12.	GREATERT	-1.05	42.	AGBEDEWA	-0.46
13.	IGBINEDI	-1.44	43.	PREMIERB	-1.38
14.	ALLIEDST	0.94	44.	BENDELCE	1.27
15.	EZENWAPL	0.42	45.	FED.GOVT.	-0.63
16.	LIFEBREE	0.15	46.	EDOCOLLE	-0.87
17.	NIGERPAP	1.56	47.	BENDELIN	-0.35
18.	OLYMPICF	0.25	48.	NEWNIG.B	-0.30
19.	NMAGEORG	0.65	49.	UNIBENBO	-0.50
20.	IJUIMDUS	1.44	50.	GEN.HOSP	-0.08
21.	EDOY&SON	0.11	51.	BENDELGR	-0.40
22.	GEOLISCA	0.02	52.	EDOLINE	-1.98
23.	A.M.E.SA	1.14	53.	DELTAGLA	-0.67
24.	IKPOBARU	-0.34	54.	DELTATRA	-1.97
25.	WASSAMMO	0.24	55.	PIONEROI	0.32
26.	WARRIBOT	0.68	56.	NIG.NATS	-0.58
27.	DELTACAR	1.00	57.	NIG.NATF	0.33
28.	ASABAALU	-1.48	58.	NEWNIG.S	-0.26
29.	ALSTATET	1.42	59.	BENDELWO	-1.38
30.	OKOMU	0.06	60.	BENDELWA	-0.07

TABLE 6.15

Loadings of the Original Variables on the Sixth Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	-0.30	18.	% of Active Hands-on Management	0.29
2.	% Increase in Capital	0.27	19.	% of Decisions with Worker Participation	-0.15
3.	% Increase in Turnover	0.10	20.	No. of Departments in Enterprise	0.07
4.	Average Annual % Increase in Profit	0.15	21.	No. of Hierarchical Levels	0.05
5.	% Increase in Size of Employment	-0.21	22.	% of Enterprises Setting output per worker	-0.26
6.	% of Group Output Reward	-0.40	23.	% of Enterprises setting output per Year	-0.03
7.	% of Individual Output Reward	-0.19	24.	% of Management Dissatisfied	-0.11
8.	% of Judgement Based Reward	-0.15	25.	% of Workers Dissatisfied	0.20
9.	% of Time Based Reward	0.23	26.	% of Management Satisfied	-0.07
10.	% Use of Tests in Recruitment	-0.15	27.	% of Workers Satisfied	0.07
11.	% Use of Interviews in recruitment	-0.00	28.	% of Attributing Performance to attitude to work	0.28
12.	% Use of Personal History in recruitment	0.13	29.	% Attributing Performance to Technology	-0.00
13.	% Use of Reference Checks in Recruitment	0.20	30.	% Attributing Performance to inadequate Infrastructure	0.05
14.	% Use of Realistic Job Previews in Recruitment	-0.19	31.	% Attributing Performance over bureaucracies	0.17
15.	% Use of Job Specific Training	0.12	32.	% Attributing poor Performance in Instability of Govt. Policies	0.22
16.	% Use of Off-the Job Training	0.45	33.	% Attributing to Lack of capital	-0.14
17.	% of Task-Oriented Management	0.25	34	% Attributing to Employment Insecurity	0.11
			35	% Annual Increase in Losses	-0.11

TABLE 6.16

The Scores of the surveyed Enterprises on the Sixth Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	1.38	31.	BENDELFL	0.84
2.	AMBIKPRE	-1.46	32.	DELTASTE	-1.28
3.	JOHNHOLT	1.34	33.	AJAGBODU	1.85
4.	EDEWORPR	0.98	34.	BENDELPH	-0.03
5.	S.M.O. AKA	-1.00	35.	DELTABOA	0.25
6.	COTTONMI	-0.80	36.	BENEDLPR	1.10
7.	GUINNESSN	1.15	37.	ETHIOPE	1.46
8.	SAIDECEN	0.64	38.	BENDELNE	1.65
9.	OKPARAVE	-0.96	39.	EDOBROAD	2.02
10.	EKENETRA	0.91	40.	ASABATEX	-1.79
11.	UNIQUEBO	0.08	41.	EDOHOTEL	-1.29
12.	GREATERT	-0.66	42.	AGBEDEWA	-0.41
13.	IGBINEDI	0.16	43.	PREMIERB	0.45
14.	ALLIEDST	-1.29	44.	BENDELCE	1.77
15.	EZENWAPL	0.73	45.	FED.GOVT.	-0.20
16.	LIFEBREE	-0.95	46.	EDOCOLLE	0.95
17.	NIGERPAP	-0.08	47.	BENDELIN	-0.30
18.	OLYMPICF	0.51	48.	NEWNIG.B	0.08
19.	NMAGEORG	0.90	49.	UNIBENBO	-0.70
20.	IJUIMDUS	-1.55	50.	GEN.HOSP	0.44
21.	EDOY&SON	0.81	51.	BENDELBR	0.14
22.	GEOLISCA	-1.51	52.	EDOLINE	-0.98
23.	A.M.E.SA	0.42	53.	DELTAGLA	0.11
24.	IKPOBARU	-0.33	54.	DELTATRA	-0.60
25.	WASSAMMO	1.10	55.	PIONEROI	-1.07
26.	WARRIBOT	0.15	56.	NIG.NATS	-1.48
27.	DELTACAR	-0.07	57.	NIG.NATF	0.15
28.	ASABAALU	-0.47	58.	NEWNIG.S	0.37
29.	ALSTATET	1.11	59.	BENDELWO	-0.78
30.	OKOMU	-0.70	60.	BENDELWA	-1.45

TABLE 6.17

Loadings of the Original Variables on the Seventh Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	0.32	18.	% of Active Hands-on Management	-0.10
2.	% Increase in Capital	-0.12	19.	% of Decisions with Worker Participation	0.15
3.	% Increase in Turnover	0.06	20.	No. of Departments in Enterprise	0.21
4.	Average Annual % Increase in Profit	0.03	21.	No. of Hierarchical Levels	0.29
5.	% Increase in Size of Employment	0.17	22.	% of Enterprises Setting output per worker	-0.10
6.	% of Group Output Reward	-0.05	23.	% of Enterprises setting output per Year	-0.23
7.	% of Individual Output Reward	-0.19	24.	% of Management Dissatisfied	-0.24
8.	% of Judgement Based Reward	-0.20	25.	% of Workers Dissatisfied	-0.05
9.	% of Time Based Reward	-0.13	26.	% of Management Satisfied	-0.25
10.	% Use of Tests in Recruitment	-0.07	27.	% of Workers Satisfied	0.35
11.	% Use of Interviews in recruitment	-0.03	28.	% of Attributing Performance to attitude to work	0.01
12.	% Use of Personal History in recruitment	0.12	29.	% Attributing Performance to Technology	-0.08
13.	% Use of Reference Checks in Recruitment	0.10	30.	% Attributing Performance to inadequate Infrastructure	-0.16
14.	% Use of Realistic Job Previews in Recruitment	0.48	31.	% Attributing Performance over bureaucracies	0.13
15.	% Use of Job Specific Training	0.02	32.	% Attributing poor Performance in Instability of Govt. Policies	-0.07
16.	% Use of Off-the Job Training	0.11	33.	% Attributing to Lack of capital	-0.15
17.	% of Task-Oriented Management	0.02	34	% Attributing to Employment Insecurity	0.06
			35	% Annual Increase in Losses	0.11

TABLE 6.18

The Scores of the surveyed Enterprises on the Seventh Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	0.41	31.	BENDELFL	1.03
2.	AMBIKPRE	0.19	32.	DELTASTE	0.23
3.	JOHNHOLT	-1.17	33.	AJAGBODU	0.00
4.	EDEWORPR	-0.68	34.	BENDELPH	0.72
5.	S.M.O. AKA	0.18	35.	DELTABOA	1.37
6.	COTTONMI	-1.12	36.	BENEDLPR	0.45
7.	GUINNESSN	-1.19	37.	ETHIOPE	-0.54
8.	SAIDECEN	0.21	38.	BENDELNE	-0.77
9.	OKPARAVE	-0.22	39.	EDOBROAD	1.43
10.	EKENETRA	-1.17	40.	ASABATEX	-0.47
11.	UNIQUEBO	2.12	41.	EDOHOTEL	1.02
12.	GREATERT	-0.10	42.	AGBEDEWA	0.39
13.	IGBINEDI	1.88	43.	PREMIERB	-0.29
14.	ALLIEDST	-0.26	44.	BENDELCE	-0.81
15.	EZENWAPL	-0.58	45.	FED.GOVT.	-1.33
16.	LIFEBREE	-1.12	46.	EDOCOLLE	-1.23
17.	NIGERPAP	-0.78	47.	BENDELIN	0.19
18.	OLYMPICF	1.65	48.	NEWNIG.B	-0.84
19.	NMAGEORG	-0.02	49.	UNIBENBO	-0.66
20.	IJUIMDUS	1.08	50.	GEN.HOSP	-1.93
21.	EDOY&SON	0.39	51.	BENDELBR	-0.38
22.	GEOLISCA	0.95	52.	EDOLINE	1.46
23.	A.M.E.SA	-0.99	53.	DELTAGLA	0.78
24.	IKPOBARU	-1.38	54.	DELTATRA	1.64
25.	WASSAMMO	0.56	55.	PIONEROI	-1.68
26.	WARRIBOT	-1.25	56.	NIG.NATS	0.51
27.	DELTACAR	0.88	57.	NIG.NATF	0.89
28.	ASABAALU	-1.24	58.	NEWNIG.S	1.16
29.	ALSTATET	1.29	59.	BENDELWO	0.22
30.	OKOMU	-0.10	60.	BENDELWA	-0.99

TABLE 6.19

Loadings of the Original Variables on the Eight Factor

No.	Name	Factor Loading	No.	Name	Factor Loading
1.	Age of Enterprise in Years	0.55	18.	% of Active Hands-on Management	0.28
2.	% Increase in Capital	-0.16	19.	% of Decisions with Worker Participation	-0.22
3.	% Increase in Turnover	0.00	20.	No. of Departments in Enterprise	-0.25
4.	Average Annual % Increase in Profit	0.03	21.	No. of Hierarchical Levels	0.10
5.	% Increase in Size of Employment	-0.27	22.	% of Enterprises Setting output per worker	0.05
6.	% of Group Output Reward	0.05	23.	% of Enterprises setting output per Year	0.02
7.	% of Individual Output Reward	0.14	24.	% of Management Dissatisfied	0.08
8.	% of Judgement Based Reward	-0.15	25.	% of Workers Dissatisfied	-0.06
9.	% of Time Based Reward	0.12	26.	% of Management Satisfied	-0.09
10.	% Use of Tests in Recruitment	0.21	27.	% of Workers Satisfied	0.12
11.	% Use of Interviews in recruitment	0.13	28.	% of Attributing Performance to attitude to work	-0.06
12.	% Use of Personal History in recruitment	-0.11	29.	% Attributing Performance to Technology	-0.14
13.	% Use of Reference Checks in Recruitment	0.16	30.	% Attributing Performance to inadequate Infrastructure	0.18
14.	% Use of Realistic Job Previews in Recruitment	-0.20	31.	% Attributing Performance over bureaucracies	-0.09
15.	% Use of Job Specific Training	0.01	32.	% Attributing poor Performance in Instability of Govt. Policies	-0.17
16.	% Use of Off-the Job Training	0.11	33.	% Attributing to Lack of capital	-0.06
17.	% of Task-Oriented Management	0.09	34	% Attributing to Employment Insecurity	0.26
			35	% Annual Increase in Losses	0.03

TABLE 6.20

The Scores of the surveyed Enterprises on the Eight Factor

No.	Enterprise Name	Factor Score	No.	Enterprise Name	Factor Score
1.	TENPOFLO	1.21	31.	BENDELFL	2.34
2.	AMBIKPRE	1.74	32.	DELTASTE	0.72
3.	JOHNHOLT	-1.16	33.	AJAGBODU	0.67
4.	EDEWORPR	0.89	34.	BENDELPH	0.38
5.	S.M.O. AKA	-1.08	35.	DELTABOA	0.26
6.	COTTONMI	-0.16	36.	BENEDLPR	-0.36
7.	GUINNESSN	-0.99	37.	ETHIOPE	0.22
8.	SAIDECEN	-0.05	38.	BENDELNE	0.63
9.	OKPARAVE	0.72	39.	EDOBROAD	-0.44
10.	EKENETRA	-0.17	40.	ASABATEX	1.73
11.	UNIQUEBO	-0.14	41.	EDOHOTEL	-0.94
12.	GREATERT	-0.95	42.	AGBEDEWA	-0.94
13.	IGBINEDI	0.18	43.	PREMIERB	1.72
14.	ALLIEDST	-1.18	44.	BENDELCE	1.39
15.	EZENWAPL	-0.21	45.	FED.GOVT.	-0.28
16.	LIFEBREE	-0.85	46.	EDOCOLLE	-1.89
17.	NIGERPAP	0.13	47.	BENDELIN	-1.27
18.	OLYMPICF	-1.44	48.	NEWNIG.B	0.67
19.	NMAGEORG	-0.62	49.	UNIBENBO	1.31
20.	IJUIMDUS	-1.53	50.	GEN.HOSP	0.58
21.	EDOY&SON	0.19	51.	BENDELBR	-0.35
22.	GEOLISCA	-0.15	52.	EDOLINE	-0.35
23.	A.M.E.SA	-0.36	53.	DELTAGLA	-0.82
24.	IKPOBARU	1.57	54.	DELTATRA	-0.63
25.	WASSAMMO	-0.50	55.	PIONEROI	-0.71
26.	WARRIBOT	1.21	56.	NIG.NATS	0.98
27.	DELTACAR	-0.91	57.	NIG.NATF	1.37
28.	ASABAALU	-0.70	58.	NEWNIG.S	1.16
29.	ALSTATET	1.04	59.	BENDELWO	0.66
30.	OKOMU	-1.67	60.	BENDELWA	0.74

6.5 CLASSIFICATION OF ENTERPRISES ACCORDING TO THEIR PERFORMANCE AND MANAGEMENT PRACTICES

The analysis of performance of the 60 public and private enterprises and their management practices has shown that there are marked differences amongst the various enterprises. It shows that there are differences in the level of performance and the associated management practices between private and public sector enterprises on the one hand and amongst those in the public and private sector on the other. On the basis of these findings it is necessary to provide broad categorization of the 60 enterprises so as to determine the relative grouping of private and public sector enterprises. The classification is essentially designed to identify classes of enterprises on their performance level. The factor scores of the enterprises provide an objective basis for such classification. Although eight factors were extracted and rotated the analysis of the scores of the 60 enterprises on these factors show that the first four factors accounted for most of the differences in the 35 variables used in the analysis. It was observed that in subsequent factors there was a repetition or re-emphasis of the loadings of one or two variables that had earlier been associated with one of the four factors. Consequently, the use of the scores of the 60 enterprises on the first four factors will be adequate in terms of differenciating the individual enterprises and assigning them to specific groups on the basis of their performance and management practices which the four factors represent.

The factor scores of each of the 60 enterprises on the first four factors were therefore used for the grouping. Multidimensional analysis made it possible to measure the degree of similarity between the 60 enterprises with respect to all the four orthogonal patterns of variation simultaneously. The distances in four dimensional space between all pairs of enterprises determined by their factor scores were calculated and a 60 x 60 matrix of distances was constructed. The distances were calculated using the formula:

$$Dij = \sqrt{\sum_{n=1}^{n} (Smi - Smj)^2}$$

s = factor score, m = factor, i = ith enterprise, j = jth enterprise, n = 4 (number of factors used).

A stepwise grouping procedure on the 60 x 60 matrix of distances was performed to produce a complete linkage-tree such that at each step two columns and two rows comprising the nearest neighbours were combined into a new column and new row containing their average values (Harman, 1968). The grouping produced four major classes of enterprises in which within group differences are markedly less than between group differences. Table 6.21 presents the results of the grouping and it confirms the findings reported in various chapters of this study with respect to the performance of public and private enterprises.

The table indicates that 14 of the 60 enterprises studied fell into Group A which has been named as **successful enterprises.** These are enterprises which scored highly and positively with respect to indicators of performance as well as management practices that are associated with positive performance of enterprises. Of the 14 enterprises in this category only two are public sector owned. However, a critical look at these three show that they are those in which private sector participation is quite significant. The only exception is Edo Line which is mainly public sector owned.

The second group of **fairly successful enterprises** is again dominated by private sector enterprises. Out of the 20 enterprises in this category only four are public sector owned while the remaining sixteen are private sector ones. This again shows that private sector enterprises performed better with respect to the indicators of performance used in the analysis as well as the existence of management practices that are conducive to improved enterprise performance.

TABLE 6.21

6.5.1 **Classification of Public and Private Enterprises According to Level of Performance**

Group A: Successful Enterprises

Name of Enterprise	Sector	Name of Enterprise	Sector
1. Tempo Flour Mill, Ogorode	Private	2. John Holts Drugs Company	Private
3. Guinness Nigeria Ltd.	"	4. Saidi Centre	"
5. Ekene Transport Services	"	6. Igbinedion Secondary School	"
7. Life Breweries	"	8. Geolis Cables	"
9. Warri Bottling company	"	10. Ezenwa Plastics	"
11. Iju Industies	"	12. Bendel Flour Mill Ltd.	Public
13. Edo Line	Public	14. Okomu Palm Oil	Private

Group B: Fairly Successful Enterprises

Name of Enterprise	Sector	Name of Enterprise	Sector
1. Edewor Property Company	Private	2. Cotton Mill	Private
3. Greater Tommorow Secondary School	"	4. Unique Bookshop	"
5. Okparavero Hospital	"	6. Allied Steel Industries	"
7. Niger Paper Industry	"	8. Olympic Farms	"
9. Eddy & Sons Dry-Cleaning Ltd.	"	10. A.M.E. Sawmill Ltd.	"
11. Delta Careers College	"	12. All States Trust Bank	"
13.	"	14. Asaba Textile	Public
15. Pioneer Oil Mill	Public	16. Premier Breweries	"
17. Delta Transport	"	18. Delta Aluminum	Private
19. Wassam Motel Ltd.	"	20. Nwa George Industries	"

Group C: Less Successful Enterprises

Name of Enterprise	Sector	Name of Enterprise	Sector
1. S.M.O. Aka	Private	2. Ambik Press	Private
3. Ikpoba Rubber Processing Factory	"	4. New Nigeria Bank	Public
5. Federal Government Girls College	Public	6. Edo Motel	"
7. Ethiope Industry	"	8. Ajagbuodudu Palm Oil	"
9. Edo College	"	10. Edo Broadcasting Service	"

Group D: Unsuccessful Enterprises

Name of Enterprise	Sector	Name of Enterprise	Sector
1. Bendel Steel Company	Public	2. Delta Boat Yard	Public
3. Delta Steel Company	"	4. Bendel Property Development	Public
5. Bendel Newspapers	Public	6. Agbede Warrake Farms	"
7. Bendel Breweries	"	8. Bendel Cement Factory	"
9. Bendel Insurance Company	"	10. University of Benin Bookshop	"
11. General Hospital Sapele	"	12. Delta Glass, Ughelli	"
13. Nigerian National Shrimp Company	"	14. New Nigeria Salt Co. Ltd.	"
15. Bendel Wood Industry	"	16. Bendel Water Transport	"
17. Nigeria National Fish Co.	"		

Furthermore, Table 6.21 shows that of the 10 enterprises in Group C which have been described as **less successful,** only three are private sector owned while the rest are public sector ones. Finally, all the sixteen enterprises in Category D which have been described **as unsuccessful** enterprises are in the public sector. In other words all the private sector enterprises have been, to a large extent, successful compared with public sector ones. The explanation for this has been provided in the analysis in this and preceding chapters. Specifically, public sector enterprises largely adopt certain management practices which are not conducive to increased productive and better performance of the enterprises.

6.5.2 Formal Testing of Hypotheses

It is obvious from the discussion so far in this study that the various hypotheses articulated earlier in Chapter 3 have been implicitly tested. However, it is essential to formally test the hypotheses as a way of taking stock of our findings so far in this study.

Hypothesis I: There is no Significant Difference Between the Performance of Public Sector Enterprises and Private Sector Enterprises Studied

The findings of this study as reflected in the factor analysis carried out in the preceding sectors of this chapter indicates that private enterprises performed better than public sector ones. It was noted that 27 out of the 30 private sector enterprises that is 90 per cent are in the categories of successful or fairly successful ones compared with only 7 out of the 30 public sector enterprises i.e., 23.3 per cent. The 3 remaining private enterprises belong to the group of less successful while 16 of the public sector enterprises were classified as unsuccessful. The hypothesis has therefore not been supported by the findings of the study as there is a clear difference between private and public enterprises in terms of their overall performance.

Hypothesis II: The Reward Systems in Private Sector and Public Sector Enterprises Studied are Equally Conducive

The findings of this study have again not supported the second hypothesis of this study as stated above. There are two aspects of the findings that contradict the hypothesis. The first which emanated from the focus group discussions is that remuneration of workers in the public sector enterprises is largely conditioned by the wage levels in the public service in general. Consequently, the management of most public enterprises are not in a position to determine the wage levels of their employees outside the public service wage levels. In contrast, private sector enterprises determine the wage levels of their employees largely on the basis of their need for such staff. The second aspect of the findings that contradicted the hypothesis relates to the fact that the factor analysis as reflected by the pattern of loadings and scores on Factor One indicates that private sector enterprises use reward systems which are output based compared with public sector ones that use mainly time-based reward systems. The combination of these two factors have made reward systems in private sector enterprises to be more conducive to improved productivity and performance than public sector ones.

Hypothesis III: Enterprises in both Sectors Tend to Articulate Clearly their Goals and also Management by Objectives

The findings of this study also differ from the proposition in the third hypothesis listed above. There are again two factors which make public enterprises to be different from private sector ones. The focus group discussion with participants indicates that public sector enterprises do not quite clearly articulate their objectives and goals which can provide the basis for the management of the enterprises and eventual evaluation of their performance. On the other hand, private sector enterprises tend to be specific in the articulation of their objectives and goals which contribute to the monitoring of their performance. The second aspect of the findings which differ from the hypothesis relates to the fact that the positive loadings and scores on the setting of output target per month or per year are associated with private enterprises. While private sectors enterprises set clear objectives and use various measures to achieve those objectives, public sector enterprises do not do so. There lies part of the differences for their performance levels.

Hypothesis IV: Private Sector Enterprises and Public Sector Enterprises are Equally Objective in the Selection of their Staff thereby Improving Productivity

The findings of this study do not again support the hypothesis. One of the conclusions from the focus group discussion as reported in Chapter Four is that in many public sector enterprises senior management staff are deployed from government departments without due regard to their experience and competence. In some cases such postings are politically motivated and at times can be a disciplinary measure. On the other hand, private sector enterprises are not under such constraints. They employ staff which they believe are capable of doing the job which they want them to do. Closely related to the above is the fact that the factor analysis showed that private sector enterprises use more effective methods of staff selection than public sector enterprises that depend mainly on formal interviews in which the decision to employ a staff is based largely on his/her performance during the period of about 30 minutes. Private sector enterprises scored highly on other objective methods of staff selection which involves thorough investigation of the staff to be employed so as to determine her suitability for employment. There is no doubt therefore that marked difference exist amongst the enterprises in the two sectors, with respect to the method of staff selection, the private sector being more objective than the public sector.

Hypothesis V: The Enterprises in the Public and Private Sectors are Generally Characterized by Job-Specific and skill Training Programmes:

The findings of the factor analysis has not clearly contradicted the hypothesis stated above. The factor scores and the linkage analysis showed that both the private and public sector enterprises are involved in various training programmes which therefore confirms the hypothesis.

Hypothesis VI: Private and Public Sector Enterprises are Generally Characterized by Leadership with a Confrontative Orientation and Hand-On Involvement in their Operations.

The result of the linkage and factor analysis have not confirmed this hypothesis, rather they have contradicted the hypothesis. The factor loadings and scores on Factor One indicate that private sector enterprises scored positively on the two variables which measured the leadership characteristics of the enterprises while public sector ones scored negatively. This shows that while private sector enterprises are characterized by more effective and result-oriented leadership, public sector enterprises are not so characterized. This difference is in fact one of those that accounted for the better performance of private sector enterprises compared with public sector ones.

CHAPTER 7

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.0 INTRODUCTION

Realising the volume of the national resources which have been devoted to the promotion of public enterprises in Nigeria over the years, this study was carried out to examine the determinants of the success or otherwise of public enterprises by comparing them with their private counterparts. The study is based on the premise that if the factors influencing the performance of public and private sector enterprises can be isolated then any future involvement of the public sector in the promotion of enterprises will benefit from its findings. In this final chapter, the main findings are outlined, the conclusions are drawn on the implications of the findings and some policy recommendations are made.

7.1 SUMMARY

THE ROLE OF THE PUBLIC SECTOR IN THE PROMOTION OF ENTERPRISES

A review of the role of the public sector in the promotion of business enterprises in Nigeria shows that during the colonial period the public sector played an insignificant role in the promotion of business enterprises. The role of the public sector was restricted to the provision of infrastructural and social service enterprises such as electricity, water, roads, health, education, railways and postal services. When Nigeria became independent in 1960, social and political considerations motivated the public sector to be increasingly involved in the establishment of business enterprises. By the end of the first decade after independence, the range of the Nigerian public sector enterprises had stretched from farm organizations to manufacturing, from municipal transport to mining, from housing to multi-purpose power, and from trading to banking and insurance.

The emergence and the inception of the crude oil industry in Nigeria in the 1970's intensified public sector involvement in the promotion of business enterprises. the Nigerian Enterprises Promotion Decree of 1972 which took effect from 1st April, 1974 with its subsequent amendment in 1976 provided a concrete basis for public sector participation in the ownership and management of enterprises. Consequently, public sector involvement in the promotion of enterprises in Nigeria extended to a wide variety of the productive sector of the economy.

The review of the role of public sector enterprises further shows that they have performed very poorly over the years. It was found that some of them were sustained by the governments that established them through continuing financial support from the tax payers money. When the Nigerian economy started facing problems in the 1980's, the reality of the non-performance of these enterprises become obvious and a process of commercialization and privatization was initiated. It is in this context that this study was embarked upon.

7.1.2 The Framework of the Study

The performance of business enterprises can be measured through a variety of indicators. Similarly, there exists a large number of factors influencing the performance of enterprises. The choice of indicators for measuring the performance of enterprises as well as the determinants of performance depends on socio-economic characteristics of the study area. It is against this background that this study articulated a conceptual framework which provided the guiding principles for the empirical study. The conceptual framework which was articulated against the background of the review of the relevant literature proposed that the performance of public and private business enterprises is influenced by a number of factors including the reward system, goal setting strategies, management by objectives, staff selection methods, staff training and development, leadership style, organizational structure, and job design. It is in this context that seven hypotheses were formulated for empirical testing. Realising the fact that data limitation is a major constraint in a study of this nature in Nigeria, the focus group methodology was used to complement the systematic data methods.

7.1.3 **Performance of Public and Private Sector Enterprises**

Although there has been widespread impression in Nigeria that public sector enterprises perform poorly compared with private sector ones, the findings of this study have confirmed this belief. In the first place, the focus group participants in both public and private sector enterprises concluded that public sector enterprises in Nigeria have performed poorly over the years when compared with private sector enterprises. Secondly, the findings of the factor analysis also showed that the vast majority of the public sector enterprises performed poorly compared with the private sector ones which were largely successful. For example, of the 14 successful enterprises, 12 are private sector ones while 2 are public sector enterprises. Furthermore, 16 out of the 20 fairly successful enterprises are private sector owned while only four are public sector enterprises. Finally, all the 16 largely unsuccessful enterprises are in the public sector. In other words, the findings of this study confirms the fact that public sector enterprises perform poorly compared with private sector ones in the study area. It is against this background that the study analyzed the factors responsible for the differences in the performance of public and private sector enterprises as outlined in the next section.

7.1.4 Factors Responsible for the Differences in the Performance of Public and Private Sector Enterprises

(i) **Reward System:** One of the factors which played a major role in determining the performance of enterprises in the study area is the pattern of reward. The focus group discussions show that private sector enterprises are not constrained by any public sector wage system which indicates that they can fix their wage levels to motivate their workers. On the other hand, public sector enterprises have to fix the wage levels of their workers in line with public sector wage levels. Generally, therefore, private sector enterprises pay higher wages than public sector ones. Another aspect of the differences in the reward system which the factor analysis showed relates to the fact that private sector enterprises use a more effective but complex reward system such as group output reward and use of judgement based reward. On the other hand, public sector enterprises use mainly the conventional time based reward system which do not induce much motivation for employees. Thus, private sector enterprises in the study area have been able to motivate increased productivity from their employees by using a variety of reward systems which public sector enterprises do not use because of public service regulations.

(ii) **Staff Selection:** On the issue of staff selection, it was found that public sector enterprises are constrained again by public service regulations to recruit most, if not all, their staff through the formal interview method which may not provide a basis for selecting the best staff. It was also found that private sector enterprises use more informal methods of investigating staff capability before they are employed. This latter approach has led to the recruitment of more effective employees in the private sector enterprises.

(iii) **Formal Autonomy:** The findings from the focus group discussions in the different public and private enterprises indicate that one of the factors identified as influencing differences in the performance of public and private sector enterprises is the degree of financial autonomy. Private enterprises have the autonomy to take decisions on pricing and access to capital markets while their public sector counterparts cannot because of the overall control which the appropriate government departments have over the operators of such enterprises. Closely related to the issue of financial autonomy is that of management autonomy. Private sector enterprises are more autonomous in terms of management decision making without any external control. The reverse is the case with respect to public sector enterprises where the supervisory government ministry must first approve key managerial decisions before implementation and such approval can take considerable time since such quick and on the spot decision can be crucial in a business enterprise, private sector enterprises are at an advantage compared with public sector ones.

(iv) **Leadership Style:** The findings indicate that private sector enterprises have a greater proportion of task oriented managers who closely supervise employees to be sure that tasks are performed satisfactorily as opposed to employees-oriented style of leadership in public sector. Thus, while managers in the private sector ensure that jobs are effectively carried out, as a way of sustaining the existence of the enterprise, the managers in the public sector enterprises believe that they can always be supported by the government if it is failing. In other words, the commitment of public sector managers to the success of their enterprise is lower than that of those in private sector enterprises, a factor which contributes to the differences in their performance.

(v) **The Organizational Structure:** Differences in the organizational structure of public and private sector enterprises have also been found to be a factor influencing the performance of enterprises in both sectors. Findings in this study show that there is a high degree of departmentalization as well as a higher hierarchical level of decision making in public sector enterprises compared with private sector ones. This is a reflection of the transfer of the public service organizational structure with the associated bureaucratic implications. On the other hand, private sector enterprises are more concerned with how to maximize profit and minimize costs. Thus they eliminate all organizational structures that can increase costs and thereby reducing profits. In most private enterprises, functions are readily combined to reduce costs whereas in the public sector the emphasis is on procedure rather than cost minimization.

(vi) **Goal Setting and Management by Objective:** The findings show that while private sector enterprises set their goals and objectives in clear and operational terms which revolve around profit making and survival of the enterprise, the public sector enterprise do not set specific targets for their production units. Motivation for higher performance is therefore higher in private sector enterprises that sets output target compared with the public sector ones that do not do so.

7.2 CONCLUSIONS

On the basis of this study and the major findings associated with it, a number of conclusions can be drawn. These conclusions are outlined below.

The first issue relates to the justification for the establishment of the public sector enterprises by the relevant governments. The varied nature of the enterprises in which the public sector is involved coupled with the findings from the focus group surveys show that the involvement of governments in the establishment of the enterprises is justified. The reasons given by the participants to support the establishment of the enterprises by the government include the need to avoid foreign domination of the economy, the need for government to pioneer the establishment of key industries, the desire for rapid economic growth, and diversification of the economy, and the need to prevent the private sector from exploiting the people who may not have any other alternative for the provision of certain essential goods and services. Against the background of these reasons there is no doubt that the public enterprises surveyed in this study have played major roles in the socio-economic development of the localities in which they are based. In other words, the management problems of the public sector enterprises notwithstanding, their establishment is justifiable and this indicates that if efforts are made to provide solutions to the management problems of the public sector enterprises which as pointed out in the findings of this study affect their performance, the benefits of government involvement in their establishment will be enhanced. The findings of the comparative analysis of the management practices of private and public enterprises in the study area indicate that the problems associated with the management practices of the public sector enterprises can be solved if there is determination on the part of public authorities in Nigeria to do so. In this context, the public sector involvement in the establishment of enterprises in specific areas of the economy to achieve the objectives noted in this study should be encouraged provided there is a determined effort to manage the enterprises in a way similar to what obtains in the private sector. As pointed out in the first chapter of this study, the Nigerian economy at present is such that the public sector can not completely distance itself from the ownership of business enterprises. The distinction which needs to be drawn is that of differentiating ownership from management. If governments restrict themselves to ownership without getting involved in the day-to-day management of the enterprises, then public sector enterprises will play a more efficient role in the socio-economic development of the country.

The above conclusion is partly derived from the assessment of the participants of the focus group sessions in both public and private sector enterprises. They acknowledged the socio-economic contributions of public sector enterprises but they argued that their management has not been conducive to the efficient sustenance of the enterprises. Consequently, they agreed that if the management problems can be taken care of, the contributions of the public sector enterprises will be enhanced.

The second issue that emanates from the findings of this study relates to their implications for the improvement of the performances of public sector enterprises. The findings of this study has shown that there are certain management practices which are conducive to improved productivity per worker and thus the overall performance of the enterprise concerned. It was observed from the findings that some private enterprises performed rather poorly when compared with other successful private sector enterprises because they failed to adopt the efficient management practices which other private sector enterprises adopted to achieve success. This indicates that the findings of this study are quite relevant for the private sector enterprises as well. Some of the less successful private sector enterprises that were identified in the analysis in this study have essentially similar management practices with the poor performing public enterprises. This suggests that such private sector enterprises have much to learn from the findings of this study in terms of improving their management practices.

The third concluding issue relates to the limitations of the scope and methodology of this study. The study was able to focus on a limited number of enterprises in the study area because of the limited resources which a single researcher is able to mobilize. It would have been beneficial for the purpose of generalization if more private and public enterprises across the country were included in the survey. Similarly, the variables used to monitor the performance and management practices of the various enterprises covered in this study were chosen within the framework of the limitations of the data that can be readily obtained in the study area. The use of more sophisticated indicators of the performance and management practices of the surveyed public and private sector enterprises was not possible in this study because such data were not available in the records. At the same time, obtaining such data from the questionnaire survey would be too complicated as many of the respondents may not be willing to provide such information. The demonstrated need which arises from the above observations is that there is urgent need for similar studies in other parts of the country or within the present study area using other indicators of performance and management practices so that the findings of such studies can be compared with those of this study.

Furthermore, this study has adopted the focus group or participatory methodology which is increasingly being used in recent years especially in communities where reliable data cannot be obtained through questionnaires or in situations where questionnaires may not provide the indepth information has shown that the use of focus group methodology has complemented the formal approach to data collection and has indeed provided additional information which could not be obtained through the questionnaire. The implication is that other researchers are encouraged to use the focus group methodology to complement the formal methods as a way of filling some gaps which may arise through the use of the traditional and formal methods of data collection. Management studies in Nigeria have a lot to gain from the use of focus group methodology.

Finally, this study has attempted in a modest way to build empirically ideal management practices which are conducive to efficient performance of public and private enterprises in Nigeria. The various indicators which represent different aspects of management practices that have been found to be conducive to the efficient performance of enterprises can be regarded as providing a foundation for a theory of management practices in the Nigerian business environment. With further studies and testing of the various indicators in different parts of the country as suggested earlier, it is possible to develop a practically oriented model which can provide guidelines to business managers on the efficient management of their enterprises in the country.

7.3 POLICY RECOMMENDATIONS

The findings of this study and their implications as outlined in the preceding sections of this chapter suggest some policy implications for the improvement of the performance of public and private enterprises in Nigeria.

7.3.1 Reducing Government Interference in Public Sector Enterprises

The key to the success and sustenance of public sector enterprises in Nigeria concerns the reduction of government interference in the day-to-day management of these enterprises. Instead of the linkage of public sector enterprises to relevant government ministries where officials interfere with the routine management of the enterprises, it is necessary to establish state-owned holding companies which could be used to manage small and medium-sized enterprises such as those covered in this study. Such a central supervisory agency which could be established by a state government for its enterprises, the federal government for its enterprises and even the local government for its enterprises can play an important role if their functions include, and are limited too, the execution of the ownership role, their functions and size are carefully defined and circumscribed. They must be inhibited from interfering in the day-to-day operations of the enterprises and they must be staffed with highly qualified persons with relevant industrial and managerial experience. While one main characteristic of public sector enterprise management is excessive government interference, it is equally common to find a lack of effective control, a situation that creates uncertainty, lack of understanding and sometimes distrust and that frequently ends up in excessive interference. The dual purpose of effective central supervisory agencies being proposed is on the one hand, to protect the powers of the board of directors and management from undue political manoeuvering and, on the other hand, to exercise effective control of a limited number of performance factors (Ayub and Hegstad, 1987:7).

7.3.2 The Need to separate social objectives from Business Enterprises profit making objective

One of the basic problems that has faced public sector enterprises in the study area as clearly articulated in the focus group discussions is the infusion of social goals in the public enterprise activities. Often, these social objectives become the main excuse for poor financial performance. It is suggested that public authorities should seek other ways of achieving their social objectives and allow business enterprises to be managed efficiently to ensure their survival. There are better alternatives for achieving social objectives rather than through the establishment of business enterprises. Often, it is better to allow public sector enterprises to operate on commercial, profit-making lines and then sue their profits to achieve social goals such as income redistribution in the form of subsidy to the low income earners and employment creation.

On the other hand, the public sector enterprises should be explicitly compensated on a contractual basis through annual budget allocation for undertaking social objectives. such allocations must be realistically assessed and payment made on the basis of the determination of the actual financial cost of the social objectives fulfilled by the public sector enterprise. This approach is feasible in terms of preventing public sector enterprises from being saddled with excessive social burdens and at the same time avoiding random departures from efficiency criteria.

7.3.3 Elimination of Government Subsidies and the Granting of Financial Autonomy to Public Sector Enterprises

The usual control imposed on public sector enterprises in terms of financial autonomy particularly access to the capital market often leads to the use of subsidies, which are generally irregular, to sustain these enterprises. Public sector enterprises must be encouraged to be financially autonomous. Easy recourse to government subsidies for operating purposes in most cases reduces the pressure on public sector managers to close non-viable operations and initiate effective cost cutting measures which are essential for long term survival of private sector enterprises. This suggests that public sector enterprises should receive government funds only under the following circumstances:

(i) increases in equity capital to finance viable expansion programmes;

(ii) increases in equity capital as part of restructuring operations aimed at creating viable operations; and

(iii) subsidies for performing non-economic social functions as explicitly agreed between the government and an enterprise as discussed earlier.

Closely related to the elimination of government subsidies is the need to increase the ability of public sector enterprises to borrow in the financial markets. With an appropriate level of equity capital in their balance sheets, public sector enterprises managers will be in a position to negotiate financing with banks based on the strength of their balance sheets and the quality of their cash flow. In other words, it is being suggested that public sector enterprises in Nigeria should be allowed to the extent possible to operate freely within the confines of their business charters and the capacity of their balance sheets. Under these conditions the government should concentrate its business-making and control functions on issues related to its ownership role while decisions related to strategy and operations should be delegated to the board of directors and management in private sector.

7.3.4 Improving the Performance of Public and Private Enterprises

The final policy recommendations emanating from the findings and conclusions of this study relates to the need to improve the performance of public and private enterprises by implementing the positive management practices that have been identified as conducive to the improved performance of enterprises. For the public sector enterprises, the conditionalities for implementing the positive management practices have been discussed in the preceding sections, that is, the reduction of government interference in their activities which will enable the managers to operate as private sector enterprises. In other words, they will no longer be subjected to public service regulations which have been the major constraint hindering their adoption of effective management enterprises. As far as the private sector enterprises are concerned, improving their performance depends on their managers' knowledge of the practices that are conducive to the improved performance of their enterprises. This calls for regular training and dissemination of management information to these enterprises so that they can adopt the most effective management practices some of which have been identified in this study.

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APPENDIX A

DISCUSSION GUIDE FOR FOCUS GROUP MODERATORS

AIM

The main aim of the focus group sessions is to have informal discussions with the owners, management staff and workers in a sample of public and private enterprises on issues such as their performance patterns, the factors influencing their performance and opinions on the relative performance of public and private sector enterprises.

PARTICIPANTS

They should be men and women who are in any of these three categories, owners or proprietors, management staff and the general workers. In addition one or two field assistants should be present with the moderator as well as the main researcher, Mrs M.I. Nwoye. The overall size of a focus group session will be in the range of 10 to 15 people depending on the size of the establishment. The main themes of the discussion are as follows:

1. **Rationale for Government Involvement in Business Enterprises**

   (a) Reaction towards Government involvement in business enterprises.

   (b) Factors or reasons adduced in support of Government involvement in business enterprises.

   (c) Factors or reasons adduced against Government involvement in business enterprises.

   (d) Experience of Government involvement in business enterprises in Nigeria.

   (e) Goals and objectives of private and public enterprises.

2. **Performance of Public and Private Enterprises**

(a) Relative performance of private and public enterprises in their locality.

(b) Reasons for good performance of private enterprises.

(c) Reasons for poor performance of public enterprises.

(d) Comments on the performance of the individual enterprises concerned.

3. **Management Autonomy**

(a) Board of Management and shareholders involvement in enterprises management in public and private enterprises.

(b) Government interference in government owned enterprises

(c) Mode of appointment of Senior Management Staff in public and private enterprises.

(d) Managerial Skills and Morale

4. **Financial Autonomy**

(a) Level of Management Board's financial autonomy in private and public enterprises.

(b) Government interference in the finances of government enterprises.

(c) The Role of Government subsidies.

5. **Management Practices**

(a) Employees Recruitment, Reward system and Attitude to work in public and private enterprises

(b) Organizational Design and structure in public and private enterprises.

APPENDIX B

QUESTIONNAIRE FOR PUBLIC AND PRIVATE SECTOR ENTERPRISES

1. **BACKGROUND INFORMATION**

(i) Name of Organization ....
....

(ii) Address of Organization ....
....

(iii) State ....

(iv) Type of Business ....
....

(v) Space occupied by business ....
....

(vi) Year of Establishment ....
....
....

2. **OWNERSHIP STRUCTURE**

(i) Public Sector ....

(ii) Private Sector ....

(iii) Individual Ownership ....

(iv) Family Ownership ....

(v) Partnership ....

(vi) Incorporated Company ....
....

(vii) Other types of Ownership ....
....

3. **INITIAL CAPITAL INVESTED AND SOURCE OF FINANCE**

(i) Size of initial capital invested

Less than ₦1 million ....

₦1 - ₦5 million ....

₦6 - ₦10 million ....

₦11 - ₦20 million ....

Over ₦20 million ....

(ii) Source of Initial Finance of the enterprise

Individual and Family Savings ....
....

Loan from Banks and other financial Institutions
....

Shareholders Contribution . . . .
. . . .
Government Funding . . . .
. . . .
Other Sources . . . .
. . . .
Combination of Sources *(Please indicate the most important source)*
. . . .
. . . .

4. CAPITALIZATION AND PERFORMANCE

(i) Capital invested in cash value

(a) Initial capital base (Year.........) . . . .
. . . .

(b) Value of capital during the last ten years

Year 1 (.............) . . . .
date
Year 2 (.............) . . . .
date
Year 3 (.............) . . . .
date
Year 4 (.............) . . . .
date
Year 5 (.............) . . . .
date
Year 6 (.............) . . . .
date
Year 7 (.............) . . . .
date
Year 8 (.............) . . . .
date
Year 9 (.............) . . . .
date
Year 10 (.............) . . . .
date

(ii) Turnover in the last ten years

Year 1 (.............) . . . .
date
Year 2 (.............) . . . .
date
Year 3 (.............) . . . .
date

Year 4 (.............) . . . .
date
Year 5 (.............) . . . .
date
Year 6 (.............) . . . .
date
Year 7 (.............) . . . .
date
Year 8 (.............) . . . .
date
Year 9 (.............) . . . .
date
Year 10 (.............) . . . .
date

(iii) **Profitability in the last ten years**
Year 1 (.............) . . . .
date
Year 2 (.............) . . . .
date
Year 3 (.............) . . . .
date
Year 4 (.............) . . . .
date
Year 5 (.............) . . . .
date
Year 6 (.............) . . . .
date
Year 7 (.............) . . . .
date
Year 8 (.............) . . . .
date
Year 9 (.............) . . . .
date
Year 10 (.............) . . . .
date

(iv) **Loses in the last ten years**
Year 1 (.............) . . . .
date
Year 2 (.............) . . . .
date
Year 3 (.............) . . . .
date

Year 4 (.............) . . . .
date
Year 5 (.............) . . . .
date
Year 6 (.............) . . . .
date
Year 7 (.............) . . . .
date
Year 8 (.............) . . . .
date
Year 9 (.............) . . . .
date
Year 10 (.............) . . . .
date

(v) **Changes in Employment Size**
Initial employment size

. . . .

Employment size in the last years

Year 1 (.............) . . . .
date
Year 2 (.............) . . . .
date
Year 3 (.............) . . . .
date
Year 4 (.............) . . . .
date
Year 5 (.............) . . . .
date
Year 6 (.............) . . . .
date
Year 7 (.............) . . . .
date
Year 8 (.............) . . . .
date
Year 9 (.............) . . . .
date
Year 10 (.............) . . . .
date

5. **REWARD SYSTEMS AND EMPLOYEES MOTIVATION**

(i) Proportion of total wages paid through the use of group reward system *(average for the last five years)*

Less than 5% . . . .
5 - 10% . . . .
11 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(ii) Proportion of total wages paid through the use of Individual output based Reward system *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
11 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(iii) Proportion of total wages paid through the use of judgement based reward system *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
11 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(iv) Proportion of total wages paid through the use of Time based output based reward system *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
11 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(i) How many workers in this organization are paid?:
(a) Weekly . . . .
(b) Monthly . . . .
(c) According to work done . . . .

(ii) What other forms of payment does your organization employ in remuneration of workers?
(a) accident bonus . . . .
(b) annual salary increments . . . .
(c) special payment for special task performed . . . .
. . . .
(d) others, (specify) . . . .

(iii) Please list the various forms of non-financial rewards for your workers.
e.g. promotion, salary increment, etc.
(a) . . . .
(b) . . . .
(c) . . . .
(d) . . . .

(iv) Does your organization have any penalty for late coming?
(a) Yes . . . .
(b) No . . . .
(c) If Yes, what is the form of penalty?
(i) Refusal to pay for the hours missed at work . . .
. . . .
(ii) Others, (specify) . . . .
. . . .

(v) Does your organization have any penalty for absenteeism from work without permission? (a) Yes (b) No

(c) If Yes, what is the form of penalty?
(i) Refusal to pay for the days absent . . . .
(ii) Others (specify) . . . .

(vi) What is the procedure for punishing offence?
. . . .

(vii) How many workers unions exist in this organization?
1. . . . .
2. . . . .
3. . . . .

6. **STAFF SELECTION SYSTEM**

(i) Proportion of staff selection through the use of Tests *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(ii) Proportion of staff selection through the use of Personal History Data *(average for the last five years)*
Less than 5% . . . .

5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(iii) Proportion of staff selection through the use of reference checks *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(iv) Proportion of staff selection through the use of realistic job previews *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

7. **STAFF TRAINING**

(i) Proportion of staff trained through the use of job specific training *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

(ii) Proportion of staff exposed to off-the-job training *(average for the last five years)*
Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

8. **LEADERSHIP STYLE** *(To be completed by Management Staff)*

(i) Have you had reasons to query your staff who fail to perform his duties in the last one year?
(a) Yes . . . .
(b) No . . . .

(ii) If Yes, how many of them? . . . .

(iii) Give reasons for your action.

(a) . . . .
(b) . . . .
(c) . . . .
(d) . . . .
(e) . . . .

(iv) How frequently do you visit your workers on their duty post?

(a) hourly . . . .
(b) twice a day . . . .
(c) one a day . . . .
(d) weekly . . . .
(e) monthly . . . .
(f) others, specify . . . .

(v) Proportion of Management Decisions with worker participation in the last one year.

Less than 5% . . . .
5 - 10% . . . .
10 - 20% . . . .
21 - 40% . . . .
Above 40% . . . .

9. ORGANIZATIONAL STRUCTURE AND JOB DESIGN

(i) Who is the Chief executive of this organization?

. . . .

(ii) Has the Chief executive other general managers under him?

(a) Yes . . . .
(b) No . . . .

(iii) If Yes, do these General Managers have other managers under them?

(a) Yes (b) No

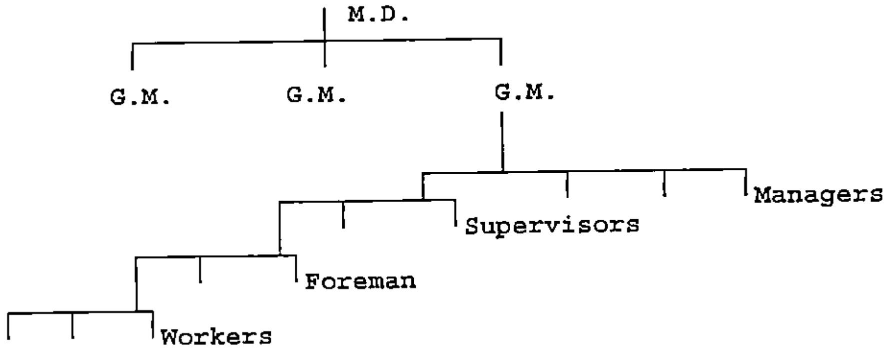
(iv) Are there Deputy Managers or Supervisors under the managers?

(a) Yes (b) No

(v) Are there other supervisors under these Deputy Managers or Supervisors?

(a) Yes (b) No

(vi) Please depict the organization of the organization such as below.



(vii) Are the jobs of the various units and departments in this organization specified per worker?

(a) Yes (b) No

(viii) If Yes, give details of the specification as follows:

(a) specified Yes__________ No__________

(b) standardized Yes_________ No__________

(c) others, (specify)____________________________

(ix) How many departments are in this organization?

. . . .

10. **GOAL SETTING**

(i) Does this organization specify its performance goals for particular periods?

(a) Yes (b) No

(ii) If Yes, specify the period for the last one year.

(a) weekly
(b) monthly
(c) quarterly
(d) halt yearly
(e) yearly
(f) others, (specify)

(iii) Are the workers involved in the setting of these performance goals?

(a) Yes (b) No

(iv) If Yes, how does the organization do so?

. . . .
. . . .

(v) Are the management staff of this organization involved in work planning and review of its objectives?
(a) Yes__________ (b) No__________

(vi) If Yes, how does the organization get them involved?
. . . .
. . . .

(vii) Do you have a method of feedback of performance to the units involved? How?
. . . .

11. **MANAGEMENT EVALUATION OF PUBLIC AND PRIVATE SECTOR PERFORMANCE**

(For management staff only)

(a) Are you satisfied with the performance of your establishment?
Yes__________ No__________

(b) If No, can you give the reasons? . . . .
. . . .
. . . .

(c) If Yes, why are you satisfied? . . . .
. . . .
. . . .

(d) Can you list the negative factors affecting the performance of your enterprise?
(i) . . . .
(ii) . . . .
(iii) . . . .
(iv) . . . .
(v) . . . .
(vi) . . . .
(vii) . . . .
(viii) . . . .
(ix) . . . .
(x) . . . .

12. **STAFF EVALUATION OF PUBLIC AND PRIVATE SECTOR PERFORMANCE**

(For non-management staff only)

(a) Are you satisfied with the performance of your establishment?
Yes__________ No__________

(b) If No, can you give reasons?

. . . .

. . . .

(c) If Yes, why are you satisfied?

. . . .

. . . .

(d) Can you list the negative factors affecting the performance of enterprise?

(i) . . . .
(ii) . . . .
(iii) . . . .
(iv) . . . .
(v) . . . .
(vi) . . . .
(vii) . . . .
(viii) . . . .
(ix) . . . .
(x) . . . .