

P A M M D
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REFERENCE

Distr.
LIMITED
PAMM/PA/10
July 1978
Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Regional Seminar on Technical and
Managerial Problems of African
Public Enterprises
Yaoundé, 7-14 August 1978

PUBLIC ENTERPRISES IN THE FORMATION OF
MULTINATIONAL CORPORATIONS

by

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PLEASE RETURN TO

PUBLIC ENTERPRISES IN THE FORMATION OF
MULTINATIONAL CORPORATIONS

1.1 Public Enterprises refer to State or Government activities operated primarily or exclusively on the economic model and geared towards stimulating national development. With present economic growth and rate of development in Africa, the role of public enterprises takes on a special importance.

1.2 Faced with competing priorities in the social, economic and political problems; and lacking adequate infrastructure, investment capital, technical and managerial skills, resources for stimulating productive investments and increased productivity; African States and Governments were compelled to establish firm control of economic policy decisions to ensure that equitable industrial progress, economic advancement, etc. are distributed as far as practicable among the masses of the people with different and sometimes totally unrelated levels of income and opportunities.

1.3 The establishment of public enterprises is one of the methods Governments have utilized to meet their responsibilities to the people. The size and number of public enterprises and their scope of operations partly depend upon the speed of growth and the kind of growth that a Government envisages.

2.1 Much will also depend on the relative emphasis placed at a particular stage of economic development on infrastructural, agricultural and industrial enterprises. Broadly, the more complex, the more capital intensive and the more slow-yielding an enterprise is, the greater the likelihood that it would be in the public sector. What then follows is the degree of necessary control, direction, development and autonomy that should be evolved to ensure public accountability and consistency with each nation's goals and objectives.

2.2 At this stage, in order to appreciate the principle of and demand for African Multinational formation, it is perhaps pertinent to refer briefly but broadly to economic and industrial activities - co-operation/co-ordination - within the national and international African countries in the past and recent times and thus focus thoughts and exchange of views on the role of public enterprises in the formation of African Multinational Corporations.

2.3 It is generally known that the formation of public enterprises as already outlined was not effectively in demand until African countries moved towards political independence from the colonial powers. The colonial powers themselves had different economic, social and political policies and objectives. About 1884, after the Berlin Conference, the European powers set off the scramble for Africa and devised policies to boost up economic activities and services to suit their home governments.

2.4 What followed was the fragmentation of Africa and isolation of components with little or no contact in the development of social and economic affairs. In spite of these, even in the perpendicular approach of each colonial power to its metropolitan interests, the need for some form of co-operation/co-ordination was considered necessary and system territories were set up.

These were, however, directed MORE to facilitating problems of colonial administration relative to the objectives of each power - such as export of agricultural produce, raw materials including minerals, cheap native labour and market for imported goods. Few of such groupings may be listed thus: French West Africa, French Equatorial Africa, British West Africa, East African Common Market, Federation of Rhodesia and Nyasaland, The High Commission Territories (Basutoland, Botswana and Swaziland) - The Ruanda-Urundi Union, etc. As the pressure for political freedom intensified, colonial powers began to grant freedom to unit members of those groupings and NOT to the groupings en bloc. The result was the straining or the collapse of those economic links as the new states set out to assert their new political power and tackle seriously the economic development of their own units - redistribution of wealth, income, fighting ignorance and disease, and stimulating the factors of production of their nation.

3.1 The contribution of public enterprises on the national level was of an obvious necessity as the development and rate of economic growth changed. As the economic problems grew and even became more complex, the need for multinational economic co-operation increased. Furthermore, most African countries saw the potential of such economic co-operation as the effective instrument of consolidating the African stand against former colonial powers and the advanced Nations.

3.2 The rest is history; one after the other, the cry for such multinational co-operation went out loud and clear, starting from the conference rooms of Accra in 1958 of the 1st African Independent States, through Addis Ababa in June, 1960 to the present with Yaounde and Lome Conventions. What has been underlined is the advantageous objective of moving towards multinational co-operation in Africa, using the public enterprises as essential vehicles for accelerating the rate of economic and industrial development and especially of enhancing efficiency in industries.

4.1 Owing to shortage, and in most cases, absence of national markets, most newly independent African countries are unable to establish optimum-size industries that could hold against developed world import competitions. If adequate markets and demand could result from the international economic co-operation within Africa then the stage would be set for multinational enterprises to rightly emerge to play their role. It is to the benefit of African States participating that such organisations should be set up to ensure economic survival in the face of developed world initiative in this field.

4.2 Multinational Corporations would ensure co-ordination of trading activities and the integration of small markets into larger units. They will further foster the export of manufactures and semi-manufactures through the establishment of industries that are not only competitive with those of the developed countries but also can withstand competition from other developing countries.

4.3 Co-operation among African Enterprises in specific areas of economy is a pre-requisite for the successful working of the multinational corporations. There are, however, peculiar problems relating to Africa. These relate to the sensitive role politics play, and is bound to play in economic

decisions in Africa. It is important to underline this problem. What matters is the solid political will to sustain and adhere to decisions freely taken in the interest of peoples forming the States in partnership.

5.1 Such multinational corporations could cover economic activities in a number of sectors, but what appears to be the most pressing need is to develop effective infrastructure in communication and transport to connect African countries within existing economic groupings and beyond.

5.2 The pattern is gradually changing, but transport and communication as at present reveal a confused state of affairs, with bottlenecks that seriously limit development of agriculture, industry, trade and social interaction. Under such Corporations should be provided plans for increased capital investment in the transport sector - Railways, Road, Aviation, etc. at both national and international levels. Other sectors include: Research, Education, and all-level Manpower development (including in-service and on-the-job training and staff exchange schemes). The key-note point is elimination of duplication and encouragement of specialisation and conservation of efforts to the direction where maximisation of benefit on multinational basis is assured.

5.3 African countries have long suffered from lack of adequate information among them and regular exchange of data. For the multinational corporation, this suggests setting up Data Centres on national and international levels. The use of Computer for Data Bank should not be ignored.

5.4 The supplies, inspection and purchasing sectors have been handling developed in many African countries. Side by side with sharing information and knowledge through Data Centres is the need to introduce Technical Inspection of goods and materials moving into member nations. There have been cases of Africa being used as a dumping ground for unsuitable stores from advanced countries. The tragedy is that only a few hundred kilometres away another African country would be repeating the same purchases unaware of what had happened next door. It will be the function of the Multinational Corporations in every sector to visit advanced countries and ensure that only certified goods and advanced countries and ensure that only certified goods and materials are sent to member nations. This is important since with the close links forged, any failure in one country would affect other countries. The case of the East African Railways for the purchase of Motive Power could better illustrate the point.

6.2 The paper would, of course, not be complete without a brief reference to the likely problems of management of the multinational corporations. The recent management external problems of the East African Community and few others should be of interest. There is no doubt that a good ideal of experience has been gathered from that organisation.

6.3 Not until about 1960, when most of the African countries gained their political independence, did the question of tackling management problems confront a majority of African governments. The colonial powers had different policies towards education and manpower development for African people. The social and religious structure of the people also added to the situation and created variable standards for selecting suitable manpower in

commerce, trade, industry and the civil service. Where private agencies provided facilities to supplement government efforts, poverty and superstition hindered the drive for education and manpower development. In most cases, colonial powers handed over powers with little time for orderly transition. The result was that most African countries were unprepared and ill-equipped to take over technical and administrative functions of the State satisfactorily.

7.1 The realisation of the pressing need of the situation throughout Africa is seen by the degree of attention to, and allocation of, development resources being made by all African governments to Education and manpower development at all levels.

7.2 On the managerial level, experience in many African countries varied. While in some areas nationals of the countries were adequate, in some other areas the management cadre had to be supported by the injection of experts from abroad. This policy of injecting experts has received mixed approval from many people, but it must be stated that only by treating every case on its merit could one present a correct practical solution.

7.3 Overseas experts - as partners in progress - should be welcomed if this great continent is to take its rightful place quicker than is now the pace under the compelling pressures of science and technology which now permeates every facet of modern economic, industrial and scientific endeavour. The most important point is that managers should have the correct attitude and approach to the environmental pressures. They should realise the imperative need to adapt to changes and continuously upgrade their relative knowledge and keep a look-out on their limitations.

7.4 One method of updating and upgrading management is by participating in seminars like the one in progress and by travels and training to expose oneself to the inductive education of other areas and peoples. One should also take interest in other matters for relaxation and diversion.

7.5 These remarks are intended to focus attention on the problems facing us and to stimulate a sense of dissatisfaction on our general performance in Africa relative to the quality and tempo in advanced countries. We owe it a duty, as managers of public enterprises, to accept the challenge posed by expectation of our peoples on the role of public enterprises in tackling socio-economic and industrial problems of our nations.

8.1 It is perhaps pertinent to comment briefly on few problems that face management of public enterprises or multinational corporations.

8.2 It is known that managerial performances are affected by the type and degree of control and autonomy under which public enterprises in Africa generally operate. If, therefore, multinational corporations are envisaged, it is perhaps relevant to discuss briefly aspects of the controls and autonomy.

8.3 There is a school of thoughts supporting maximum degree of government control over public enterprises. The argument is that in a planned economy committed to rapid economic development and since the enterprise has little or no experience, their functions must be guided and controlled by the government. The finances are controlled in the same way as other ministerial bureaux and the main objective is to supplement public revenue. By this, maximum control is achieved but not the flexibility essential to operate a business-type programme. A direct result of this is the drift to Civil Service formalism, unnecessary delays and general inability to respond promptly and resiliently to customer demands.

9.1 Another system refers to autonomous corporations. With the rapid expansion of government responsibilities for social and economic programme, and many of them of business nature, the problems arising from the use of autonomous corporations can no longer be ignored. Broadly, there are several methods at the disposal of governments to control public corporations:

1. Ministerial Control
2. Parliamentary Debates
3. Debates on Annual and Periodic Reports
4. Audit Reports
5. Parliamentary Committees
 - (i) Estimates Committee
 - (ii) Public Accounts Committee
 - (iii) Select Committee on Public Enterprises.

9.2 While these and other tools of control are designed to protect public interests, there are many setbacks experienced by management and Chief Executives of Public Enterprises or even of multinational corporations. The problem lies chiefly in the absence of clearly defined lines of authority and functions between the supervising ministry and the management, and also between the Chairman, Board members and the Chief Executives. This, added to inadequate delegation of authority, produces a situation where there are ill-defined lines between a policy Board and an Executive Board. In most cases official or the political members of the Board of public enterprises see themselves as watch dogs of the government ministry which they represent instead of identifying themselves with the Board.

10.1 There is need to grant reasonable autonomy to both the Boards and the Managers of Public Enterprises. Inadequate authority results in undue and unnecessary delays. Adequate delegation will save money and improve the image and prestige of the undertaking and will infuse a positive sense of confidence in the staff for the successful running of the enterprise.

10.2 Managers would respond to the confidence and accept responsibility, and thus could be held accountable for their level of performance. Accountability is the obligation to carry on responsibility and exercise authority in terms of established performance standards. Freedom of action to gain flexibility and efficiency in running corporation sometimes clash with element of public accountability.

10.3 A government ministry or council of State's ministry in the partnership should have powers to control public enterprises or multinational corporations in order to safeguard public interest and ensure accountability. This seems reasonable and practicable as long as the number of public enterprises is few, but a national economic rate of growth and advancing technology will further increase the problems leading to more and more public enterprises being established. Then the responsibility of the ministry becomes too wide spread which could create serious confusion. The solution may lie in the establishment of national multi-public enterprises to co-ordinate operations.

10.4 It is relevant to the efficient performance of public enterprises' General Managers to offer some views on the quality and composition of such corporation boards. The complexity of the corporations demand a policy decision on the type of board most suited to each enterprise. Clear distinction should be drawn between executive and policy Boards, and the number of members should be reasonable, varying between five and nine depending on the public enterprise involved.

11.1 The choice of really suitable manpower from which the African governments could draw membership of such national and international corporations is limited, if really qualified manpower capable of effective contribution is desired. In Africa, the trend is to a great extent to appoint members on political basis without regard, in depth, for relative knowledge and experience relevant to the enterprise. This has resulted in incumbents demonstrating allegiance to their States or Regions or Tribe rather than to the undertaking.

11.2 Experiences vary all through Africa, but the pattern is nearly the same. The General Manager's work is not made easier by the situation as in some cases most valuable time is spent on non-productive debates and in explaining the basics of the organisation. A result is that adequate guidance and leadership are not readily available to the General Managers, and this could affect their level of performance generally.

11.3 In order to make up for the shortage of suitable manpower for good Board memberships, Civil Servants have been used in those Boards and sometimes Permanent Secretaries have been appointed even as Chairman of Boards of Directors. Opinions vary on this practice, but it seems that there would be overlapping of responsibilities. The very person who is formulating policies in the capacity of a Permanent Secretary of a supervising ministry also executes those policies as a member of the Board of Directors.

12.1 As a result, General Managers usually find themselves in difficult positions as a person who has to evaluate the performance of those enterprises should certainly NOT be a party to the omissions and commission of the enterprise.

12.2 It is the accepted function of management to set out clearly the goals and corporate objectives of the undertaking. Staff and welfare policies must reflect the economic ideology of the governments involved and a sense of belonging and participation of staff should be developed. It is not uncommon that poor industrial relations lead to clash with Trade Unions,

with the resultant disruption of services and fall in productivity generally. It is, therefore, equally important that not only technical development of staff should be encouraged, but that industrial relations at the shop floor should receive appropriate attention.

12.3 It is to the benefit of General Managers to learn to carry the Trade Unions firmly along in all major decisions of the enterprise. We shall not lose sight of the fact that we of the present administration have the duty to change the will to work and the attitude of our people generally. During the colonial era most of the working class people saw their work as being done for foreign governments to which they had no patriotic loyalty. Unfortunately, this attitude takes time to be erased, with the result that it seems a strong ideological task force will be needed for re-education of our people.

12.4 Most critics usually refer to African Public Enterprises as not being successful. One should not think of public enterprises in isolation to the general attitudes of the peoples in all sectors of the country. Therefore, where there are signs of failure in a sector or sectors of public enterprise the fault and contributing factors may not alone lie entirely on the corporations. They should look closely at the internal and external problems associated with the corporations.

13.1 Finally, the paper has attempted to examine the question of public enterprise in the formation of multinational corporations. It has traced the impact of our political experience over the economic developments and pointed out that not until emergence of African free nations from the colonial rule did demands for public enterprise in the solution of expanding economic problems really receive desired attention.

13.2 The need for multinational corporations has been stressed in economic affairs. In a world fast shrinking in human contact, with the tools of science and technology, greater drift towards increased multinational corporations is a matter of imperative necessity. The emergence of multinational corporations inspite of our present shortcomings, to serve the needs of the now compact African region under several convenient groupings - political/economic - is now only a question of time and we of this generation should never allow it to be said of us that we lost sight of the need for establishing properly the bedrock for the growth of such corporations.

13.3 The comments offered on the subject are not exhaustive; they are not intended to be the only side of the subject, but at least they provide the basis on which our deliberations at this Seminar and exchange of experience could be meaningful and helpful.

The choice of subject and the effort of the ECA in organising this important seminar underlines the realisation of the crying needs of our governments in Africa to take urgent remedial steps to equip the people with the appropriate tools for tackling our economic problems and raising the standard of our people to enable us take our rightful place in the competitive world economy.