

## Understanding Politics and Failure of Public Enterprises through Board Appointments: A Perspective from Nigeria

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### **Abstract**

*The major objective of this study is to examine how the appointment of incompetent political loyalist to boards of public enterprises by incumbent government ruined public enterprises in Nigeria. Public Enterprises in Nigeria were established after independence with a view to speeding up socio-economic development. It is most worrisome that haven established them, they are characterized by some impediments. In most cases, public enterprises in Nigeria are compelled by the incumbent government to donate money to the ruling party for elections and other purposes. Such interferences by government affect the performance of public enterprises. This study used the qualitative research method. Secondary data was mainly used in data collection. The content analysis method was applied to analyze the secondary data obtained from textbooks, academic journals, newspapers and internet services. The theoretical framework adopted for this study is the theory of "scientific management approach" this study finds among other that government appoints incompetent and illiterate political loyalist to boards of public enterprises in Nigeria as members. It is further recommended among others that competent and seasoned technocrats be appointed to boards of public enterprises in Nigeria with a view to making sure that majority of the citizens have access to essential goods and services at a reasonable price. The findings of the study will be of great importance to public administration as a discipline, it will enrich existing literature in public administration and will be used as a policy instrument for government and policy makers.*

**Keywords:** Operational Environment, Public Enterprises, Corruption, Political Interference, Over dependence, Lukewarm Attitude.

### **1.0 Introduction**

The need for the establishment of public enterprises in Nigeria after independence with a view to speeding up socio-economic development cannot be over-emphasized. Besides, public enterprises were established by the Nigeria government because there were chronic shortage of capital and capital market that the huge amount of monies needed for their establishment could not be provided by Nigerian bourgeois and compradors at that period. For instance, Nigeria Ports Authority and Nigeria Railways Corporation were established as public enterprises to facilitate exports.

It is somewhat worrisome that haven established public enterprises in Nigeria, they are characterized by some challenges. In most cases, public enterprises are compelled to donate money to the ruling party for elections and other purposes. Such interferences in the operations of the public

enterprises by government affect the efficiency of the public enterprises and has rubbished many public enterprises in Nigeria (Anyadike, 2013).

Evidences exist abundantly to show that the government has not done well as a manager of resources (Nwachukwu, 2007), for example, the scrapping of public enterprises like the Nigeria National Shipping Line (NNSL), Nigerian National Supply Company (NNSC), National Cargoes Handling Company (NCHC), Nigerian Telecommunication (NITEL), Nigerian Airways (AR) etc, show that most public enterprises have failed woefully to live up to expectation of the Nigeria public (Okeke, Onuorah and Okonkwo, 2016).

Moreover, public enterprises in Nigeria are more or less conduit pipes used to drain the Nigeria national resources. Most of the public enterprises are always at deficit as they fail to discharge their responsibilities. The government on the other hand has tried to sustain the public enterprises despite their dwindling revenue profile in order to enable them to be sustained, and discharge social welfare responsibilities to the citizens (Obasanjo, 1999). The government owned air, sea and land transportation have collapsed as those of private ownership were succeeding. Same thing goes to public health institutions. Water boards are no longer existing as Nigerians now sink their own boreholes to get water for their usage.

The failure of public enterprises is sometimes associated with increased corruption, management inefficiency, and over staffing. The government saw public enterprises as a convenient way for job creation and avenue for patronage distribution. Again, many public enterprises suffered from technological shortcomings, imported weak and or second grade machineries with foreign aid or soft loan from abroad. This contributed to low capital and outputs (Emeh, 2012).

This study therefore, attempts to discuss why are public enterprises seem irredeemable in the context of Nigerian operational environment. To discuss this, the first section of this study introduces the subject matter. The second section deals with research questions, objectives of the study and conceptual framework.

The third section reviews related literature. The fourth section deals with theoretical framework. The fifth section discusses the reasons for the establishment of public enterprises. The sixth section deals with the problems inherent in public enterprises in Nigeria. The final section offers conclusion and recommendations.

## **2.0 Research Questions**

The following research questions are designed to guide the study:

- (1) Why has the appointment of incompetent political loyalists to boards of public enterprises by incumbent government ruined public enterprises in Nigeria?
- (2) Had corruption contributed the failure of public enterprises in Nigeria?
- (3) Had lukewarm attitude to work by public servants ruined public enterprises in Nigeria?
- (4) Whether weak funding of public enterprises by government had affected the performance of public enterprises in Nigeria?

## **Objectives of the Study**

The major objective of this study is to examine why are public enterprises seem irredeemable in the context of Nigerian operational environment. However, the study is guided with the following specific objectives;

- (1) To consider the impact of appointment of incompetent political loyalist to boards of public enterprises by incumbent government in Nigeria.
- (2) To annotate the effects of corruption on public enterprises in Nigeria.
- (3) To examine the effects of lukewarm attitude to work by public servants in public enterprises.

- (4) To determine the effects of weak funding on public enterprises by incumbent government in Nigeria.

### **Conceptual Framework**

There is no general accepted definition of operational environment. The concept of operational environment has been subjected to various scholars. Key Takeaways (2022), defined operational environment as the analysis of how factors within a setting can affect an organization's conduct. Also, National Institute of Standards and Technology defined operational environment as the type of environment in which the checklist is intended to be applied. Types of operational environments are standalone, managed, and custom (including specialized security-limited functionality, legacy, and United State Government.

An operational environment refers to the characteristics of the environment in which a system operates, including interactions with other system, physical attributes, and human operators. In this study, the factors that affect public enterprises in the context of Nigerian operational environment are as follows. One of the major reasons for the failure of public enterprises in Nigeria is the lack of accountability, probity and transparency among board members. Most appointments are politically driven, to this extent, board members are more accountable to their political Godfathers who influenced their appointment than to the public enterprises. This has caused corruption, financial mismanagement and impunity within public enterprises (Ogunbiyi & Yusuf, 2020).

Another issue that characterized public enterprise in Nigeria is Bureaucratic tendencies and red tapesim. Decision – making and taking processes are often slow, with bureaucracy issues that could have used to improve performance of the enterprise are frequently obstructed. Olanrewaju (2020), conceived that in Nigeria, board appointment in public enterprises is significantly influenced by political consideration. Government officials, sometimes use appointments as rewards for political loyalty rather than merit-based selection. This has resulted to appointment of individuals with little or no expertise in public enterprises.

Many political appointees lack the basic skills and knowledge needed to manage public enterprises effectively and efficiently. In this situation, merit is sacrifice on the alter of mediocre. This affects decision making and financial management of the public enterprises. Also, another Nigeria operational environment that affects public enterprises is lukewarm attitude to work. Some workers in the public enterprises see their jobs as government work, government work, they felt needs no commitments. Workers in public enterprises do not perform their duties, this affects the productivity of the public enterprises

Most workers in public enterprises see the works if public enterprises as a work wherein the worker gets his monthly salary, whether he goes to work or not this affects the productivity of the enterprises. In addition, government directions, controls and supervision sometimes are so intimidating that public enterprises are not allowed to be independent within their capacity. Moreover, political instability affects public enterprises operations in Nigeria. This happens when the government of a state changes very often. These frequent changing of boards members of public enterprises as a result of change of government affects policies of the boards of public enterprises as new board members' inputs are detrimental to the public enterprises.

In most cases, some projects in which huge amount of money have been spent are jettisoned because new board members refused projects' continuity. There is no general definition of the term public enterprises. The concept of public enterprises has been subjected to various definitions and interpretations to the extent that the concept lacks a unanimous or consensual meaning among various scholars and researchers (Laleye, 2008; Nnamdi and Nkwede, 2014). Also, the variation in definition

is informed by the ideological, values, interest, dispositions and circumstances that brought public enterprises into existence (Adeyemo and Salami, 2003; Sosna, 2001).

Adamolekun (2002), posited that a public enterprise is an organization that is setup as a corporate body and as part of the government apparatus for entrepreneurial or entrepreneur like objectives. Public enterprise is viewed as an artificial person who is authorized by law to carry on particular activities and functions. It essentially has the features of several individuals who act as one. It is described as a corporate body created by the legislature with defined powers and functions and independently having a clear-cut jurisdiction over a specific area or over a particular type of commercial activity. It is a part of government apparatus and the implications are hereby highlighted public enterprises by virtue of its intricate relationship with government, is an instrument of public policy at its primary mission is in connection with government objectives and programmes. It is under governmental control. A fundamental weakness of the above definitions is that they are very narrowly conceived and therefore show only commercially oriented public enterprise.

### **3.0 Review of Related Literature**

Many researches have been carried out with regards to why are public enterprises seem irredeemable in the context of Nigeria operational environment by some scholars. For instance, Eze (2021), in a study carried out on legislature oversight and the governance of public enterprises in Nigeria, he observed that the Nigerian legislature is tasked with the oversight of public enterprises, but political dynamics often undermine this function. He further averred that lawmaker, who are also political actors, sometime protect underperforming board members due to party affiliations or personal gains. Against this backdrop, inefficient governance practices continue to persist without meaningful reforms. The dismal performance shows public enterprises failure to meet public aspiration in terms of quantum of output as well as the quality of services, generation of any reasonable rate of return to investment capital expenditure and the provision of adequate and reliable services.

Uchenna (2021), in a study carried out on Anti-Corruption Strategies and Public Enterprises Management in Nigeria, adumbrated that the government should also strengthen anti-corruption measures by empowering institution such as the Economic and Financial Crime Commission (EFCC) and the Independent Corrupt Practices and other Related Offences Commission (ICPC) to investigate and prosecute corrupt board members. He emphasized that whistle blower policies should be reinforced to encourage transparency and accountability. The public enterprises operated at sub-optimal level. There were colossal losses in several cases and these losses were charged against public treasury. Achieving improved performance in public enterprises sector in Nigeria needs more far-reaching reforms and greater commitment on the part of government.

Political appointees in Nigeria public enterprises often prioritize personal gain over public service. Corruption is rampant, as many board members are involved in activities, misappropriation of fund, and awarding of contracts to cronies. There is absence of transparency and accountability in public enterprises. Also, Okeke (2022), in a study carried out on public sector Reform and National Development in Nigeria, submitted that the inefficiency of public enterprises has far-reaching consequences for Nigeria's economic development. Weakly managed enterprises lead to wastage of public resources, discourages foreign investment, and reduce the quality of essential services such as electricity, transportation, and water supply. He further noted that the failure of these enterprises also results in massive job losses, exacerbating unemployment and poverty.

Public enterprises were established to accelerate economic and social development. It is an irony that most public enterprises either do not contribute strongly to national development and or do not discharge, their responsibilities. This has endangered national development. Salawu and Adetayo (2020), in a study carried out on meritocracy and public sector efficiency in Nigeria, posited

that to address the issue of incompetent appointments to boards of public enterprises in Nigeria, appointment should be premised upon merit-based appointment system where competence, experience and integrity are prioritized over political affiliations. They further contended that transparent recruitment processes and strict adherence to corporate governance principles will help improve the efficiency and effectiveness of public enterprises.

Also, Yusuf (2021), in a study carried out on the impact of board appointments on performance of state – owned enterprises in Nigeria, averred that in Nigeria, board appointments in public enterprises are significantly influenced by political consideration. Government officials often use these positions as rewards for political loyalty rather than merit-based selection. Haven reviewed the above related literature for this study, none of them discusses why are public enterprises seem irredeemable in the context of Nigeria operational environment. This is a gap that will be filled with this research study.

#### **4.0 Theoretical Framework**

The theoretical framework adopted for this study is the theory of “Scientific management approach”. The proponent was Frederick W. Taylor (1947). Central to this theory is that there is need for planning of work to achieve efficiency, standardization, specialization and simplification. The approach to increased productivity is through trust and understanding between management and workers in achieving the deserved productivity. Taylor proposed four principles of scientific management: Science, not rule of thumb; scientific selection of the workers, management and labour cooperation rather than conflict, disappointment, controversy and issues. Scientific training of workers. In spite of the short comings of this theory, it is one of the most valuable theories in administration and it is the parameter used for gauging the performance of management. Majority of the citizens would be happy if the government provides enabling environment for public enterprises to at least potentially realize the best in them.

#### **Research Method**

This study adopted the qualitative research method. Secondary data was mainly used in data collection. The content analysis method was used to analyze the secondary data obtained from textbooks, academic journals, newspapers and internet services.

#### **Reasons for the Establishment of Public Enterprises**

Absence of Nigerian bourgeois and compradors who could not provide the money to establish public enterprises. There was chronic shortage of capital and capital markets. Indigenous private sectors that can provide certain infrastructural facilities especially in services requiring heavy capitals, eg. ports and harbour, airways, shipping etc. In such a situation, direct government control may be needed to make sure that prices set above the cost of providing such services.

In addition, establishing public enterprises by the government makes it to pursue objectives relating to social equity which the market would ignore, notable among which is preventing the concentration of wealth or the means of production, and exchange in the hands of few Nigerians. Moreover, government established public enterprises for provision of employment and making sure that majority of the citizens have access to essential goods and services at a reasonable price. Furthermore, the necessity to make sure government control over “strategic” sectors of the economy such as central bank, air transport etc.

#### **Problems Inherent in Public Enterprises**

Some of the problems that are inherent in public enterprises are as follows:

**Politics:** Any incumbent government at the federal and or state level wants to appoint their own political loyalists to boards of government owned public enterprises. Boards of public enterprises are charged with the responsibility of making good policies for the public enterprises. Most of the boards members recommended for appointment of Boards of Public Enterprises in most cases are more or less stark illiterates who do not the understand management of public enterprises. Most of the political appointees do not have what it takes to be a board member of public enterprises. All these affect the performance of public enterprises. Addition, the government could make public enterprise engage management staff that has no pre-requisite requirements to be top management staff of a public enterprises. All these affect the weak performance of public enterprises.

Political interference (Emeh, 2012, Supra) adumbrated that public corporations in Nigeria cannot complete fully with some private companies involved in the same line of business. In most cases top management officials make public enterprises do things that may not be in general interest of the public enterprises. Also, government officials compel public enterprises to embark on projects that are of no real values to the enterprise.

In the same vein, government officials force public enterprises to donate money to the ruling party for elections, burial of popular politician and other purposes. Political interference in the affairs of public enterprises has ruined many public enterprises in Nigeria (Anyadike, 2013, Supra).

**Political Instability:** Political instability happens when the government of a state changes very frequently. The constant changing of boards members of public enterprise as a result of change of government affects policies of the boards of public enterprises as new board member input want to make their policies to the detriment of the public enterprises. In most situations, some projects in which huge amount of money have been spent are abandoned against the backdrop of the new members of boards refusal to allow the projects' continuity.

**Government Directions, Controls and Supervisions:** Sometimes government directions, controls and supervisions are so intimidating that the public enterprises are weak. Public enterprises should be allowed to operate within their capacity.

**Over Dependence on Government:** Most public enterprises depend on government for everything they do. They depend on government for staff wages and salaries, maintenance and or replacement of equipment. Public enterprises, the workers do not care whether the enterprise make profit or not, whether the enterprise break even or not as they have job security. The services rendered by public enterprises to the public is nothing to write home about. The situation whereby government gives grants and subventions on monthly basis makes the workers of public enterprise careless about the quality of goods and services they render to the enterprise.

**Lukewarm Attitude to Work:** Some workers in the public enterprises see their jobs as government work. Government work, they felt needs no commitments. Workers in public enterprises do not perform their duties, this affects the productivity of the public enterprises. Nwachukwu (2007), Supra on his own part argued that Nigerian employees are characterized with very poor attitude to work; he further averred that the average employee is only always on seat fifty percent of the time. Most government workers see government work as a work wherein the worker gets his monthly salary whether he goes to work or not. This behavior affects government work negatively.

**Frauds:** There are too much organized frauds and corruptions in public enterprises in Nigeria. Funds of the enterprises are embezzled outright with reckless abandon. Officials sometimes conspire with contractors who are paid in full for their contracts but were never carried out. Old and depreciated tools, equipment and machineries were bought at the prices of new ones.

Most of the public enterprises in Nigeria are used as conduit pipes to drain the lean resources of the government, the resultant effects of all these are very weak services rendered by public enterprises such as bad road, lack of equipment in the hospitals, erratic power supply. All these in turn effects the socio-economic development of Nigeria.

**Weak Funding:** Government in most cases do not fund some public enterprises. Most public enterprises in Nigeria have a very weak capital base therefore making it cumbersome to get financial assistance from financial institutions. Weak capitalization is an impediment to securing loans from the bank and this affects the low productivity of the enterprises.

## Conclusion

This study explored understanding politics and failure of public enterprises through board appointments: A perspective from Nigeria the also conceptualizes public enterprises and Nigerian operational environment. It also exposes the reasons for the creation of public enterprises and the study informed us that, it is not appointment of political loyalists of the incumbent government to boards of public enterprises that ruins public enterprise; political instability, over dependence on government, lukewarm attitude of workers, corruption and others make public enterprises seem irredeemable in the context of Nigerian operational environment.

## Recommendations

Haven carried out a careful exhaustive analysis on why are public enterprises seem irredeemable in the context of Nigerian operational environment, we put forward the following recommendations which we believe will go a long way in solving the issues why are public enterprises seem irredeemable in the context of Nigerian operational environment.

1. Competent and seasoned technocrats should be appointed to board of public enterprises in Nigeria with a view to making sure that majority of the citizens have access to essential goods and services at a reasonable price.
2. Mechanisms should be put in place to check frauds and corruptions. There should be transparency and accountability in public enterprises in Nigeria.
3. Workers in public enterprises should be given orientation as to sensitize them on the need to be serious with their work. Any public servant with nonchalant attitude to work should be fired.
4. The government should fund public enterprises in Nigeria. This would make the public enterprises pursue their aims and objective.

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