BUS 420: COMPARATIVE MANAGEMENT

Topic 1: Meaning and Aspects of Comparative Management

Comparative management can be defined as the area of study dealing with differences and similarities of managerial systems and management practices in different cultural settings. It requires an understanding of the complexity and diversity of environmental variables and their impact on institutions.
Comparative management is a field of study that involves analyzing and comparing management practices, systems, and theories across different cultures, countries, industries, and organizational contexts. The primary objective of comparative management is to understand how management principles and techniques are applied and adapted in various settings, and to identify similarities, differences, and best practices.

Here's a more detailed breakdown of the key aspects of comparative management:

1. **Cross-Cultural Analysis**: One of the central focuses of comparative management is examining how cultural differences influence management practices. This involves studying how cultural values, beliefs, norms, and behaviors impact leadership styles, communication patterns, decision-making processes, and organizational structures.

2. **Globalization and International Business**: With the increasing globalization of business operations, comparative management has become crucial for understanding how multinational corporations manage their diverse operations across different countries and regions. This includes analyzing strategies for entering new markets, managing cross-border teams, navigating regulatory environments, and adapting to local customs and preferences.

3. **Organizational Behavior and Structure**: Comparative management also involves comparing organizational structures, behaviors, and dynamics across different types of organizations, such as large corporations, small and medium enterprises (SMEs), government agencies, non-profit organizations, and startups. This includes studying how factors like size, industry, ownership structure, and management philosophy influence organizational behavior and performance.

4. **Management Theories and Practices**: Comparative management examines how various management theories and practices are applied and adapted in different contexts. This includes exploring theories of leadership, motivation, organizational culture, strategic management, human resource management, and operations management, and assessing their relevance and effectiveness in diverse settings.

5. **Best Practices and Learning**: By comparing management practices across different contexts, comparative management aims to identify best practices that can be adopted or adapted by organizations to improve their performance and competitiveness. This involves learning from successful examples and adapting them to fit the unique circumstances and constraints of each organization.

Overall, comparative management provides valuable insights for managers, executives, policymakers, and researchers seeking to understand and navigate the complexities of managing organizations in a diverse and dynamic global environment. It helps organizations develop cross-cultural competence, foster innovation, and enhance their ability to thrive in an increasingly interconnected world.

Comparative Approach to Management and Administration

Differences between Administration and Management

Management and Administration Comparative management can be defined as the area of study dealing with differences and similarities of managerial systems and management practices in different cultural settings. Management, on the other hand, is the process of achieving organizational goals by engaging in the four basic functions of management, namely, planning, organizing, leading and controlling (David C. Martins, 2006). This definition recognizes that management is an on-going process and activities aim at achieving set goals and objectives. Richard Daft (1999) saw management as the attainment of organizational goals in an effective and efficient manner through planning, organizing and controlling organizational resources.

Scholars like Gullick and Herbert Simon share the view that management is part of administration. To them management is one of the actions in administration. In their words, management activity unites controls and coordinates all other activities of a group towards the achievement of the set objectives. Administration is seen as part of management and management as part of administration.

Similarities between Administration and Management

The following are the areas where administration and management are seen as similar:
(i) Administration and management are distinctive academic discipline, art and science of pursuing knowledge.
(ii) Both concepts are used in modern organizations. They embrace organizational activities such as organizing, coordinating, budgeting, evaluating other organizational activities for the achievement of the set goals.
(iii) Management and administration take place in every area of human endeavour. They aim at meeting individual and organizational goals.
(iv) Management and administration represent global phenomenon, cutting across cultural boundaries. They remain the buzz words in human interaction in the world of work and business.
(v) Administration and management enhances how far both human and material resources are channelled for purposive enterprise. They enable organizations to effectively and efficiently organize and utilize their resources for productive activities.
(vi) They are directed towards the enhancement and attainment of goals and objectives of individuals and organizations.

Topic 2: The skills of Management in private and public sectors

Management Skills

Management skill is a broad term that encompasses a range of abilities and competencies essential for effectively leading and coordinating people and resources to achieve organizational goals. Here are some key components of management skills:

1. Leadership
2. Communication
3. Decision-Making
4. Problem-Solving
5. Strategic Thinking
6. Emotional Intelligence
7. Team Building
8. Time Management
9. Adaptability
10. Ethical Decision-Making

While there are similarities between the skills required for management in both private and public sectors, there are also distinct differences due to the unique environments, objectives, and challenges faced by each sector. Here's an overview of the skills needed for management in both sectors:

Difference between Private and Public Sector

The private and public sectors are distinct in terms of their ownership, objectives, sources of funding, governance structures, and the nature of their operations. Here's a breakdown of the key differences between the two:

1. Ownership:

    - Private Sector: Owned and operated by private individuals or entities, such as individuals, partnerships, corporations, or privately held companies.

    - Public Sector: Owned and operated by the government or government-controlled entities, including federal, state, and local governments, as well as government agencies and public corporations.

2. Objectives:

    - Private Sector: Primarily driven by profit motive and shareholder value. The main goal is to maximize profits and generate returns for owners or shareholders.

    - Public Sector: Focuses on serving the public interest and addressing societal needs. Objectives may include providing essential services, promoting social welfare, and ensuring public safety and well-being.

3. Sources of Funding:

    - Private Sector: Relies on private sources of funding, such as investments, loans, revenue from sales or services, and capital raised through stock offerings or private equity.

- Public Sector: Funded through taxes, government appropriations, grants, and other forms of public revenue. Public sector organizations may also generate revenue through user fees and charges for services.

4. Governance Structure:

    - Private Sector: Governed by the board of directors and executive management, who are responsible for making strategic decisions and overseeing day-to-day operations. Ownership and control typically reside with shareholders or private owners.

    - Public Sector: Governed by elected officials, government-appointed boards, or public administrators accountable to the public. Decision-making processes may be subject to public scrutiny, democratic principles, and regulatory oversight.

5. Accountability and Transparency:

    - Private Sector: Accountability primarily to shareholders and stakeholders. Transparency levels vary but are generally subject to regulatory requirements and market forces.

    - Public Sector: Accountability to citizens and taxpayers. Public sector organizations are subject to higher levels of transparency and accountability, with decision-making processes often subject to public scrutiny, audits, and regulatory oversight.

6. Flexibility and Innovation:

    - Private Sector: Generally more flexible and agile in responding to market demands and opportunities. Private companies can innovate quickly and make decisions based on market dynamics and profitability.

    - Public Sector: Often more bureaucratic and constrained by regulations, budgetary constraints, and political considerations. Innovation may be slower due to bureaucratic processes and risk aversion.

7. Competition:

    - Private Sector: Operates in a competitive market environment where firms compete for customers, market share, and profits.

    - Public Sector: May face limited competition in certain sectors, particularly in areas where government regulations restrict private involvement or where natural monopolies exist (e.g., utilities, infrastructure).

Skills in Private Sector Management

1. **Entrepreneurial Mindset**: In the private sector, managers often need to have an entrepreneurial mindset, being proactive, innovative, and willing to take calculated risks to drive business growth and success.

2. **Profit Orientation**: Private sector managers must have a strong understanding of financial management, including budgeting, forecasting, cost control, and revenue generation, with a focus on maximizing profitability and shareholder value.

3. **Customer Focus**: Customer satisfaction and loyalty are paramount in the private sector. Managers need strong interpersonal and communication skills to understand customer needs, build relationships, and deliver products and services that meet or exceed expectations.

4. **Market Awareness**: Private sector managers should be adept at market analysis, competitive intelligence, and strategic planning to identify market opportunities, anticipate industry trends, and develop effective marketing and sales strategies.

5. **Agility and Adaptability**: Private sector managers must be agile and adaptable, able to respond quickly to changing market conditions, competitive pressures, and technological advancements to maintain a competitive edge.

6. **Results-Orientation**: Private sector managers are often judged by their ability to deliver measurable results, such as revenue growth, market share expansion, cost reduction, and return on investment. They must set clear objectives, monitor progress, and hold themselves and their teams accountable for achieving targets.

7. **Leadership and Team Building**: Effective private sector managers inspire and motivate their teams to achieve high performance and drive organizational success. They should be skilled in leadership, team building, and talent development to create a positive work culture and maximize employee engagement and productivity.

Skills in Public Sector Management

1. **Policy Analysis and Implementation**: Public sector managers need strong analytical skills to assess policy implications, evaluate alternatives, and develop effective strategies for policy implementation to address complex societal challenges and meet public needs.

2. **Stakeholder Engagement**: Public sector managers must engage with diverse stakeholders, including citizens, community groups, elected officials, and government agencies, to build consensus, gather input, and ensure transparency and accountability in decision-making.

3. **Budgeting and Financial Management**: While similar to the private sector, financial management in the public sector often involves additional complexities such as public funding sources, regulatory requirements, and political considerations. Public sector

managers must be skilled in budgeting, resource allocation, and financial stewardship to ensure responsible use of taxpayer funds.

4. **Legal and Regulatory Compliance**: Public sector managers must navigate complex legal and regulatory frameworks, ensuring compliance with laws, regulations, and ethical standards while upholding public trust and integrity in governance.

5. **Service Delivery and Quality Improvement**: Public sector managers are responsible for delivering essential services to the public efficiently, effectively, and equitably. They must focus on continuous improvement, performance measurement, and service quality to enhance citizen satisfaction and trust in government.

6. **Collaboration and Partnerships**: Public sector managers often work across agencies, jurisdictions, and sectors to address complex societal issues that require multi-stakeholder collaboration and partnerships. They must be skilled in negotiation, conflict resolution, and coalition building to achieve collective goals and outcomes.

7. **Change Management and Innovation**: Public sector managers face increasing pressure to adapt to changing demographics, technological advancements, and economic realities. They must be adept at change management, fostering a culture of innovation, and promoting organizational agility to deliver public value and address emerging challenges.

While there are differences in the skills required for management in the private and public sectors, effective managers in both sectors share common attributes such as leadership, communication, problem-solving, and strategic thinking. Adapting these skills to the specific context and objectives of each sector is essential for success in managerial roles.

Topic 3: Management of Group Activities

Managing group activities involves overseeing and coordinating the various elements involved in organizing and executing tasks or events involving a group of people. This could include activities such as team-building exercises, workshops, meetings, training sessions, projects, recreational events, or any other collaborative endeavour.

Here's a breakdown of what managing group activities entails:

1. Planning: Determining the purpose, goals, and logistics of the activity. This involves setting objectives, outlining tasks, allocating resources, and creating a timeline.

2. Coordination: Organizing the necessary resources, including personnel, materials, equipment, and space. Coordinating schedules and ensuring everyone involved is aware of their roles and responsibilities.

3. Communication: Clearly conveying information about the activity to participants, including details such as time, location, agenda, expectations, and any necessary instructions or guidelines.

4. Leadership: Providing direction and guidance to ensure the activity stays on track and achieves its objectives. This may involve appointing a facilitator or leader, delegating tasks, and resolving conflicts or issues that arise.
5. Engagement: Encouraging active participation and involvement from all participants. Fostering collaboration, teamwork, and interaction to create a positive and productive atmosphere.
6. Execution: Implementing the plans and carrying out the activities according to the established timeline and agenda. Monitoring progress, making adjustments as needed, and ensuring that everything runs smoothly.
7. Evaluation: Assessing the success of the activity by measuring outcomes, gathering feedback from participants, identifying strengths and areas for improvement, and documenting lessons learned.
8. Follow-Up: Wrapping up the activity by providing closure, acknowledging achievements, expressing gratitude to participants, and planning any necessary follow-up actions or next steps.

Constraints of Organizations on the Management of Group Activities

The management of group activities within an organizational setting can face various constraints that may hinder effectiveness and efficiency. Some common constraints include:

1. **Resource Constraints**: Limited financial, human, or material resources can restrict the scope and scale of group activities. This can include budget limitations, understaffing, or inadequate equipment and technology.
2. **Time Constraints**: Tight deadlines, conflicting schedules, and time-sensitive projects can create pressure on managers to coordinate group activities efficiently within constrained time frames.
3. **Organizational Structure**: Complex organizational structures, hierarchical bureaucracy, and rigid policies and procedures may impede communication, decision-making, and collaboration among team members.
4. **Cultural and Diversity Constraints**: Differences in cultural backgrounds, values, communication styles, and work habits among group members can lead to misunderstandings, conflicts, and challenges in achieving cohesion and synergy within the team.
5. **Geographical Constraints**: When team members are located in different geographical locations or time zones, coordinating group activities becomes more challenging due to communication barriers, logistical issues, and differences in work schedules.
6. **Technological Constraints**: Outdated or inadequate technology infrastructure, software tools, or communication platforms can hinder collaboration, information sharing, and productivity among team members.
7. **External Environment Constraints**: Economic fluctuations, regulatory changes, market competition, and other external factors beyond the organization's control can

influence the management of group activities by introducing uncertainties and constraints on resources and priorities.

8. **Leadership Constraints**: Ineffective leadership, micromanagement, lack of vision, or poor decision-making by managers can demotivate team members, undermine trust, and impede the success of group activities.
9. **Conflict and Resistance**: Interpersonal conflicts, resistance to change, and power struggles within the group or between different departments can disrupt workflow, derail projects, and hinder cooperation and collaboration.
10. **Stakeholder Expectations**: Conflicting interests and divergent expectations from stakeholders, such as clients, customers, shareholders, and regulators, can create challenges in aligning group activities with organizational goals and priorities.

Managerial Discretion in the Public Corporation

Managerial discretion in the context of a public corporation refers to the authority and autonomy that managers have in making decisions within the organization. In public corporations, managerial discretion often exists within a framework of oversight and accountability to shareholders, regulatory bodies, and other stakeholders.

This discretion allows managers to make choices regarding various aspects of the company's operations, such as strategic direction, resource allocation, investment decisions, and day-to-day management. It is essential for managers to have some level of discretion to respond effectively to changing market conditions, competitive pressures, and other external factors.

However, managerial discretion is not unlimited. It is typically bounded by legal and ethical constraints, as well as by the expectations of shareholders and other stakeholders. Excessive or inappropriate use of managerial discretion can lead to issues such as conflicts of interest, agency problems, and poor corporate governance.

Overall, managerial discretion in a public corporation strikes a balance between empowering managers to make decisions in the best interest of the company and ensuring accountability to shareholders and other stakeholders.

Constraints on managerial discretion in public corporations

Managerial discretion in public corporations is subject to various constraints imposed by legal, regulatory, and market forces. Here are some common constraints:

1. **Legal and Regulatory Framework**: Public corporations operate within a framework of laws and regulations set by government agencies like the Securities and Exchange Commission (SEC) in the United States. These regulations dictate corporate

governance practices, financial reporting standards, and disclosure requirements, limiting managerial discretion to ensure transparency and accountability.

2. **Board Oversight**: Boards of directors, elected by shareholders, oversee the activities of corporate management. They set strategic direction, appoint executives, and monitor performance. Boards act as a check on managerial discretion, ensuring that decisions align with shareholder interests and corporate objectives.

3. **Shareholder Activism**: Shareholders, particularly institutional investors, exert influence over corporate decisions through voting rights and activism. They may propose resolutions, engage in proxy battles, or advocate for changes in corporate strategy. Shareholder pressure can constrain managerial discretion by holding executives accountable for their actions.

4. **Market Forces**: Public corporations operate in competitive markets where performance is scrutinized by investors, analysts, and competitors. Market pressures incentivize managers to make decisions that enhance shareholder value and maintain market confidence. Poor performance or controversial decisions can lead to shareholder dissatisfaction, stock price declines, and loss of market share.

5. **Stakeholder Interests**: Beyond shareholders, public corporations must consider the interests of other stakeholders, including employees, customers, suppliers, and communities. Managers face pressure to balance competing stakeholder demands while making decisions that maximize long-term value creation.

6. **Ethical and Social Responsibility**: Public corporations are increasingly expected to uphold ethical standards and fulfil their social responsibilities. Managers must navigate issues related to environmental sustainability, corporate social responsibility, diversity and inclusion, and ethical business practices. Failure to address these concerns can lead to reputational damage and legal liabilities.

7. **Financial Constraints**: Managers must operate within financial constraints imposed by capital markets, debt covenants, and budgetary considerations. Limited resources require prioritization of investment opportunities and strategic initiatives, constraining managerial discretion in resource allocation.

Topic 4: Human Resources Management in Private and Public Sectors

Human Resources Management Meaning

Human resources management (HRM) refers to the strategic approach of managing an organization's most valuable asset: its people. It involves planning, organizing, directing, and controlling all aspects of an organization's workforce to ensure that employees contribute effectively to the achievement of the organization's goals and objectives.

HRM encompasses a wide range of activities and functions aimed at maximizing the productivity, performance, and well-being of employees while also ensuring legal compliance and aligning with the organization's overall strategic direction.

Human Resources Management in both Private and Public Sector

Human resources management (HRM) in both the private and public sectors involves the strategic planning, organizing, directing, and controlling of human capital to achieve organizational goals and objectives. While there are similarities between HRM in these sectors, there are also significant differences due to their distinct missions, goals, and operating environments.

1. Objectives and Goals:

- Private Sector: In the private sector, HRM is primarily focused on maximizing profitability and shareholder value. HR practices are often geared towards increasing employee productivity, engagement, and retention to drive business success and competitive advantage.

- Public Sector: In contrast, HRM in the public sector is more concerned with delivering public services efficiently and effectively. HR practices are directed towards meeting the needs of citizens, ensuring compliance with regulations, and optimizing the allocation of public resources.

2. Recruitment and Selection:

- Private Sector: Recruitment in the private sector is often driven by market demand and competition. Companies use various recruitment strategies to attract top talent, including leveraging employer branding, offering competitive salaries and benefits, and utilizing recruitment agencies.

- Public Sector: Recruitment in the public sector is typically governed by regulations and policies aimed at ensuring fairness, transparency, and equal opportunity. Public sector organizations often face challenges in attracting skilled professionals due to budget constraints and bureaucratic processes.

3. Compensation and Benefits:

- Private Sector: Compensation and benefits packages in the private sector are often designed to attract and retain employees in a competitive labor market. These may include performance-based incentives, stock options, and flexible work arrangements.

- Public Sector: Compensation and benefits in the public sector are generally more standardized and may be subject to government regulations and budgetary constraints. Public sector employees may receive benefits such as pensions, healthcare, and job security, but salary levels may be lower compared to the private sector.

4. Performance Management:

- Private Sector: Performance management in the private sector is often focused on individual performance and linked to organizational goals and objectives. Companies may use performance appraisal systems, feedback mechanisms, and performance-based incentives to motivate employees and drive results.

- Public Sector: Performance management in the public sector may be more complex due to the diverse range of services provided and the emphasis on accountability and transparency. Performance measures may include both quantitative metrics (e.g., service delivery targets) and qualitative assessments (e.g., customer satisfaction surveys).

5. Employee Relations:

- Private Sector: Employee relations in the private sector are influenced by market dynamics and may involve negotiating collective bargaining agreements with labor unions, addressing workplace disputes, and promoting a positive organizational culture.

- Public Sector: Employee relations in the public sector may involve dealing with civil service regulations, unionized workforce, and political considerations. Public sector HRM aims to maintain a productive and harmonious work environment while adhering to legal and ethical standards.

6. Employee Engagement and Retention:

- Private Sector:

  Competitive Compensation and Benefits: Private sector organizations often offer competitive salaries, performance-based bonuses, stock options, and other financial incentives to attract and retain top talent. (healthcare, retirement plans, and flexible work arrangements)

  Career Development Opportunities: Private sector companies invest in employee training and development programs to enhance skills, knowledge, and career advancement opportunities. (Clear career paths, mentorship programs, and tuition reimbursement may be offered to support employees)

  Work-Life Balance Initiatives: Private sector employers recognize the importance of work-life balance and may offer flexible work schedules, telecommuting options, and paid time off policies to promote employee well-being and satisfaction. (gyms, childcare facilities)

- Public Sector
  Job Security and Stability: While compensation levels may be more standardized in the public sector, employees often value the stability and job security offered by government positions, including pension plans and tenure-based protections.

Work-Life Balance and Flexibility: Public sector employers recognize the importance of work-life balance and may offer flexible work arrangements, compressed workweeks, and telecommuting options to accommodate employees' needs and preferences (Policies promoting family-friendly practices, such as parental leave and flexible scheduling)

Topic 5: Motivating Personnel, Controlling And Rewarding Performance in Private and Public Sector

Motivating personnel, controlling performance, and rewarding achievements are fundamental aspects of management in both the private and public sectors, but they may be executed differently due to the distinctive characteristics of each sector.

Motivating Personnel:

Private Sector:

- **Financial Incentives:** Private companies often motivate employees through financial incentives such as bonuses, profit-sharing, and stock options.
- **Performance-Based Rewards:** Recognizing and rewarding employees based on their individual and team performance can drive motivation.
- **Career Advancement:** Opportunities for career growth and advancement are crucial motivators in the private sector. Employees are often driven by the prospect of climbing the corporate ladder.

Public Sector:

- **Sense of Purpose:** Public sector employees are often motivated by a sense of public service and the impact their work has on society. Emphasizing the importance of their roles in serving the community can be a powerful motivator.
- **Recognition:** Public recognition for their contributions, whether through awards or commendations, can boost morale and motivation.
- **Training and Development:** Providing opportunities for training and skill development can motivate public sector employees by showing that their organization invests in their professional growth.

Controlling Performance:

Private Sector:

- **Key Performance Indicators (KPIs):** Private companies typically use KPIs to measure and control performance. These metrics are aligned with organizational goals and objectives and provide a clear framework for assessing performance.
- **Performance Reviews:** Regular performance evaluations are conducted to assess employees' progress against KPIs and provide feedback for improvement.
- **Merit-Based Promotion:** Performance is often a key factor in determining promotions and career advancement in the private sector.

Public Sector:

- **Performance Metrics:** Similar to the private sector, the public sector also utilizes performance metrics to evaluate performance. However, these metrics may be more focused on outcomes that align with public service objectives.
- **Accountability:** Public sector organizations emphasize accountability in controlling performance. Employees are held responsible for fulfilling their duties and meeting performance expectations.
- **Transparency:** Performance evaluation processes are often transparent in the public sector to ensure fairness and accountability.

Rewarding Performance:

Private Sector:

- **Financial Rewards:** In addition to salaries, private companies offer financial rewards such as bonuses, commissions, and profit-sharing to employees who achieve or exceed performance targets.
- **Non-Financial Incentives:** Non-monetary rewards such as flexible work arrangements, additional vacation days, or recognition programs can also motivate employees in the private sector.
- **Promotions and Advancement:** Opportunities for career advancement and promotion are important rewards for high-performing employees.

Public Sector:

- **Recognition and Awards:** Public sector organizations recognize and reward outstanding performance through awards, commendations, and public recognition.
- **Professional Development:** Opportunities for training, skill development, and career advancement are key rewards in the public sector.
- **Job Security and Stability:** Public sector employees may value job security and stability as rewards for their performance.

Training and Developing Staff in the Private and Public Sector

Training and developing staff are vital aspects of organizational success in both the private and public sectors. Here's how training and development are typically approached in each sector:

Private Sector:

1. **Tailored Training Programs:**
    - Private companies often design training programs tailored to their specific industry, business objectives, and employee needs.
    - These programs may cover technical skills, product knowledge, customer service, leadership development, and other relevant areas.
2. **Continuous Learning Culture:**

- Many private sector organizations foster a culture of continuous learning and skill development.
- Employees are encouraged to pursue ongoing education, attend workshops, conferences, and participate in online courses to stay updated with industry trends and advancements.

3. **Performance-Based Development:**
   - Training and development initiatives are often linked to performance goals and career advancement opportunities.
   - High-performing employees may receive specialized training to prepare them for leadership roles or to develop expertise in specific areas.
4. **Technology Integration:**
   - Private sector companies leverage technology to deliver training efficiently, including e-learning platforms, virtual reality simulations, and mobile learning applications.
   - These technologies enable employees to access training resources anytime, anywhere, and often at their own pace.

Public Sector:

1. **Compliance and Regulatory Training:**
   - Public sector organizations prioritize training on legal compliance, regulations, and policies relevant to their operations.
   - This includes ethics training, diversity and inclusion programs, and other mandatory courses to ensure employees adhere to government standards and regulations.
2. **Professional Development Programs:**
   - Public sector agencies offer professional development opportunities to enhance employees' skills and capabilities.
   - These programs may focus on leadership development, project management, communication skills, and other competencies necessary for effective public service delivery.
3. **Cross-Training and Skill Transfer:**
   - Cross-training initiatives are common in the public sector to ensure employees have a broad range of skills and can adapt to changing roles and responsibilities.
   - Skill transfer programs enable employees to learn from colleagues with specialized expertise, fostering knowledge-sharing and collaboration within the organization.
4. **Budget Considerations:**
   - Public sector training programs must often operate within budget constraints and adhere to strict procurement processes.
   - Cost-effective training solutions, such as online learning platforms and in-house workshops, are prioritized to maximize the impact of training initiatives.

Common Approaches to Staff Training and Development in the Private and Public Sector

1. **Performance Evaluation:**
    - Both sectors conduct performance evaluations to identify employees' training needs and assess the effectiveness of training programs.
    - Feedback from performance evaluations informs the design and implementation of future training initiatives.
2. **Partnerships and Collaboration:**
    - Private and public sector organizations may collaborate with educational institutions, industry associations, and training providers to develop specialized training programs.
    - These partnerships ensure training initiatives are aligned with industry standards and best practices.
3. **Employee Engagement:**
    - Engaging employees in the training and development process enhances the effectiveness of training initiatives.
    - Providing opportunities for feedback, soliciting input on training topics, and recognizing employees' participation in training programs contribute to a positive training experience.

Topic 6: Introducing Change and Modifying Employee Behaviour in the Private and Public Sector

Introducing Change in the Private and Public Sector

Introducing change in the private and public sectors involves similar fundamental principles but can differ significantly in execution due to distinct organizational structures, cultures, and objectives.

1. **Decision-Making Processes:**
    - Private Sector: Decisions often rely heavily on market dynamics, competition, and profit motives. Change initiatives may be driven by the need to enhance competitiveness, increase efficiency, or capitalize on emerging opportunities.
    - Public Sector: Decision-making is influenced by regulatory frameworks, public policies, and political considerations. Change initiatives typically aim to improve service delivery, address societal needs, or achieve policy objectives.
2. **Resource Allocation:**
    - Private Sector: Resource allocation is primarily driven by financial metrics and return on investment (ROI). Changes are often implemented with a focus on maximizing profitability and shareholder value.
    - Public Sector: Resource allocation may be subject to budgetary constraints, bureaucratic processes, and public scrutiny. Changes must align with fiscal responsibility, transparency, and accountability to taxpayers.
3. **Stakeholder Dynamics:**

- Private Sector: Stakeholders in the private sector typically include shareholders, customers, employees, and business partners. Change efforts must consider the interests and expectations of these stakeholders to maintain trust and support.
- Public Sector: Stakeholders in the public sector extend beyond citizens to include elected officials, government agencies, advocacy groups, and civil society. Change initiatives may face diverse and sometimes conflicting interests, requiring careful negotiation and consensus-building.

4. **Risk Tolerance:**
    - Private Sector: Companies in the private sector often have a higher risk tolerance and can quickly adapt to market fluctuations and competitive pressures. Change initiatives may involve taking calculated risks to stay ahead of competitors or disrupt markets.
    - Public Sector: Risk aversion is more prevalent due to the need to uphold public trust and accountability. Change initiatives must be carefully assessed and managed to minimize potential negative consequences and maintain public confidence.
5. **Performance Metrics:**
    - Private Sector: Performance metrics in the private sector are typically focused on financial indicators such as revenue growth, profit margins, and market share. Change initiatives are evaluated based on their impact on the bottom line.
    - Public Sector: Performance metrics in the public sector often encompass a broader range of outcomes, including service quality, citizen satisfaction, and societal well-being. Change initiatives must demonstrate tangible benefits to justify public investment and support.
6. **Cultural Dynamics:**
    - Private Sector: Organizational culture in the private sector may prioritize innovation, agility, and risk-taking. Change initiatives are often embraced as opportunities for growth and advancement.
    - Public Sector: Organizational culture in the public sector may be more bureaucratic, hierarchical, and resistant to change. Change efforts may encounter greater inertia and require extensive stakeholder engagement and communication.

Modifying Employee Behaviour in the Private and Public Sector

Modifying employee behavior in the private and public sectors involves similar principles but can be influenced by distinct organizational cultures, goals, and regulatory frameworks. Let's compare these sectors in terms of modifying employee behavior:

1. **Goals and Objectives:**
    - Private Sector: Goals often revolve around maximizing profits, increasing market share, and achieving business objectives. Modifying employee behavior

may focus on enhancing productivity, innovation, and customer satisfaction to drive financial success.
- Public Sector: Objectives typically center on delivering public services, fulfilling policy mandates, and meeting the needs of citizens. Modifying employee behavior may prioritize efficiency, accountability, and responsiveness to improve service delivery and public trust.

2. **Regulatory Environment:**
    - Private Sector: Compliance with industry regulations and market standards guides employee behavior. Modifying behavior may involve ensuring adherence to legal requirements, industry standards, and corporate governance practices.
    - Public Sector: Compliance with legal and regulatory frameworks, such as laws, regulations, and government policies, shapes employee behavior. Modifications may be aimed at upholding ethical standards, transparency, and accountability in public service delivery.
3. **Performance Metrics:**
    - Private Sector: Performance is often measured by financial indicators, such as revenue growth, profit margins, and shareholder returns. Modifying behavior may target key performance indicators (KPIs) related to sales targets, customer retention, and cost efficiency.
    - Public Sector: Performance metrics may include service quality, citizen satisfaction, and outcomes related to policy objectives. Modifying behavior may focus on achieving targets related to service delivery timelines, accuracy, and effectiveness in meeting public needs.
4. **Incentives and Motivation:**
    - Private Sector: Incentives such as bonuses, promotions, and stock options are commonly used to motivate employees in achieving performance goals. Modifying behavior may involve aligning incentives with desired outcomes and recognizing and rewarding high performance.
    - Public Sector: Incentives in the public sector may include recognition, awards, and career advancement opportunities. Modifying behavior may require aligning incentives with public service values, such as integrity, fairness, and the public interest.
5. **Organizational Culture:**
    - Private Sector: Organizational culture may prioritize competitiveness, innovation, and risk-taking. Modifying behavior may involve fostering a culture of entrepreneurship, collaboration, and continuous improvement.
    - Public Sector: Organizational culture may emphasize bureaucratic procedures, hierarchy, and adherence to rules. Modifying behavior may require efforts to promote flexibility, innovation, and responsiveness to changing societal needs.
6. **Stakeholder Dynamics:**
    - Private Sector: Stakeholders often include shareholders, customers, employees, and business partners. Modifying behavior may involve understanding and addressing the needs and expectations of these stakeholders.

- Public Sector: Stakeholders extend beyond citizens to include elected officials, government agencies, advocacy groups, and civil society. Modifying behavior may require balancing diverse and sometimes conflicting stakeholder interests while maintaining public trust and accountability.

Topic 7: Management Style of the Americans and the Japanese

Management style of Americans

American management style is shaped by the cultural, economic, and social environment of the United States. It is characterized by a focus on individual achievement, innovation, and a results-oriented approach.

Key Characteristics

A. Individualism
- Emphasizes individual achievements and personal accountability.
- Employees are encouraged to take initiative and assume responsibility for their tasks.
- Recognition and rewards are often based on individual performance.

B. Short-term Focus
- A strong emphasis on quarterly performance and short-term financial results.
- Decision-making often prioritizes immediate benefits and quick returns.
- Frequent performance evaluations to monitor and incentivize productivity.

C. Hierarchical Structure
- Clear organizational hierarchy with well-defined roles and responsibilities.
- Decision-making authority is concentrated at higher levels of management.
- Managers are expected to provide direction and oversight to their teams.

D. Innovation and Risk-taking
- Encourages creativity and innovation as key drivers of competitive advantage.
- Risk-taking is valued, with the understanding that it can lead to significant rewards.
- Companies often allocate resources for research and development to foster innovation.

E. Performance-based Rewards
- Compensation and promotions are closely linked to individual performance metrics.
- High performers are often rewarded with bonuses, raises, and fast-tracked career advancement.
- Performance appraisals and goal-setting are common practices to motivate employees.

F. Direct Communication
- Communication style is direct and explicit, focusing on clarity and efficiency.
- Feedback is straightforward, timely, and aimed at improving performance.
- Open-door policies and transparent communication channels are encouraged.

Management Practices

A. Goal Setting and Performance Measurement

- Emphasis on setting clear, measurable goals and objectives.
- Use of Key Performance Indicators (KPIs) to track progress and assess performance.
- Regular performance reviews to provide feedback and set new targets.

B. Leadership and Decision Making

- Leadership styles vary, but there is a common focus on results and accountability.
- Decision-making is often quick and decisive, with managers expected to take responsibility for outcomes.
- Delegation of authority is common, allowing managers to focus on strategic priorities.

C. Employee Development

- Investment in training and professional development to enhance skills and competencies.
- Encouragement of continuous learning and career growth opportunities.
- Mentorship and coaching programs to support employee development.

D. Competitive Environment

- Highly competitive work environment with a focus on outperforming competitors.
- Employees are often motivated by competition and the desire to achieve personal and organizational success.
- Companies may implement performance-based incentives to foster a competitive spirit.

4. Advantages

A. High Levels of Innovation

- Encouragement of creativity and risk-taking leads to a high rate of innovation.
- American companies are often at the forefront of technological advancements and industry trends.

B. Efficient Decision Making

- Hierarchical structure and decisive leadership facilitate quick decision-making.
- Ability to rapidly adapt to changing market conditions and seize new opportunities.

C. Strong Performance Incentives

- Performance-based rewards motivate employees to achieve their best.
- Clear link between effort and reward encourages productivity and high performance.

5. Challenges

A. Short-term Focus

- Emphasis on short-term results can sometimes undermine long-term sustainability.
- Pressure to meet quarterly targets may lead to compromised strategic decisions.

B. High Pressure and Stress

- Competitive environment and performance expectations can create high levels of stress.
- Work-life balance may be challenging to maintain for some employees.

C. Potential for Inequality

- Focus on individual performance can lead to disparities in rewards and recognition.
- Employees who do not meet performance expectations may face job insecurity.

6. Conclusion

- The American management style is characterized by its focus on individualism, innovation, and performance.

- While it offers many advantages, including high levels of innovation and efficient decision-making, it also presents challenges such as potential short-termism and high-pressure work environments.
- Understanding these dynamics is crucial for managing effectively in an American business context and integrating American management practices into a global setting.

Management Style of the Chinese

Chinese management style is deeply rooted in the country's historical, cultural, and social context. It emphasizes collectivism, hierarchical structures, and long-term relationships.

Key Characteristics

A. Collectivism

- Focus on group harmony and collective success over individual achievements.
- Decision-making often involves consensus within the group, emphasizing teamwork and cooperation.
- Employees are encouraged to prioritize the interests of the group or company over personal goals.

B. Long-term Focus

- Emphasis on long-term planning and sustainable growth.
- Relationships and trust-building are critical, often taking precedence over short-term gains.
- Strategic decisions are made with future implications in mind.

C. Hierarchical Structure

- Clear hierarchical organization with respect for authority and seniority.
- Decisions are typically made by higher-level managers, with lower levels expected to execute these decisions.
- Senior leaders often wield significant influence and their directives are rarely questioned.

D. Relationship-oriented (Guanxi)

- Personal relationships (guanxi) are crucial in business dealings.
- Trust and mutual respect are built through long-term relationships.
- Networking and maintaining good relationships with stakeholders are essential for business success.

E. Harmony and Avoidance of Confrontation

- Emphasis on maintaining harmony and avoiding direct confrontation.
- Communication is often indirect, with subtlety and diplomacy used to convey messages.
- Conflicts are managed discreetly to preserve relationships and social harmony.

F. Paternalistic Leadership

- Leaders often adopt a paternalistic approach, combining authority with benevolence.

- Leaders take a personal interest in the well-being and development of their subordinates.
- Employees show loyalty and respect to their leaders, akin to a family dynamic.

3. Management Practices

A. Decision Making
- Decisions are usually made at the top levels of the hierarchy.
- Subordinates are expected to follow instructions without question.
- Group consensus is often sought, but the final decision rests with senior leaders.

B. Leadership Style
- Leaders are authoritative and command respect due to their experience and seniority.
- They often provide guidance and mentorship to their subordinates.
- A leader's success is measured by the overall success and harmony of the team or organization.

C. Employee Development
- Focus on long-term development and loyalty.
- Training programs may emphasize technical skills and company-specific knowledge.
- Promotions are often based on seniority and loyalty rather than solely on performance.

D. Performance and Rewards
- Group performance is prioritized over individual accomplishments.
- Rewards and recognition may be distributed collectively.
- Emphasis on stability and job security, with less frequent turnover compared to Western practices.

4. Advantages

A. Strong Organizational Loyalty
- High levels of loyalty and commitment among employees due to the emphasis on long-term relationships.
- Employees often have a deep sense of belonging and identity with the company.

B. Stability and Harmony
- Focus on maintaining harmony leads to a stable and cohesive work environment.
- Conflicts are minimized, promoting a cooperative and collaborative culture.

C. Effective in Building Relationships
- Emphasis on guanxi helps in building strong, trust-based relationships with partners and stakeholders.
- Long-term relationships can lead to stable and reliable business partnerships.

5. Challenges

A. Slow Decision Making
- Hierarchical and consensus-based decision-making processes can be slow.
- The need for top-level approval may delay the implementation of initiatives.

B. Resistance to Change

- Strong emphasis on tradition and stability may result in resistance to change and innovation.
- Implementing new ideas or practices can be challenging in a conservative environment.

C. Potential for Nepotism

- Paternalistic leadership and the importance of relationships may lead to favoritism and nepotism.
- Decisions may be influenced by personal relationships rather than merit.

D. Communication Barriers

- Indirect communication style can lead to misunderstandings, especially for those unfamiliar with the nuances.
- Lack of direct feedback may hinder performance improvement.

6. Conclusion

- The Chinese management style is characterized by collectivism, hierarchical structures, and a long-term focus on relationships and stability.
- While it offers benefits such as strong organizational loyalty and stability, it also presents challenges such as slow decision-making and resistance to change.
- Understanding these dynamics is essential for managing effectively within a Chinese business context and for integrating Chinese management practices in a global setting.

Topic 8&9: MANAGEMENT CONSTRAINTS IN RESTRUCTURING THE OPERATION OF NIGERIAN RAILWAY CORPORATION

CASE STUDY ON NIGERIAN CORPORATIONS

Nigerian Railway Corporation
Nigerian National Petroleum Corporation
Nigerian Ports Authority
Nigerian Airways

NIGERIAN RAILWAY CORPORATION

OVERVIEW OF RAILWAY TRANSPORT AND NATIONAL DEVELOPMENT IN NIGERIA

Following the laying of the first railway track in 1898, the rail network had expanded from the Southwest (Lagos) to the North-East (Maiduguri), and from the South (Port Harcourt) to the

North-West (Kaura Namoda). The Nigerian railway consists of 3,505 kilometers of single track route of 1,067mm (narrow) gauge and 277 km of the standard gauge (that is, the Itakpe-Warri line). Railway in Nigeria still maintains a predominantly North-South orientation which makes a Port Harcourt bound rail commuter from Lagos traverse 1,820km as compared with only about 500km as the crow flies.

The primary reason for constructing the railways in Nigeria was to open up the hinterland for the exploitation of agricultural and mineral resources, as well as to provide leverage for strengthening colonial political administration (Jaekel, 1997). In fact, the motive for constructing the railway was partly administrative, in order to provide a link between the northern and southern parts of Nigeria, and partly economic, so as to enhance the evacuation of mineral resources and agricultural products from the hinterland to the seaports, for onward shipment to overseas markets in Europe (Elechi, and Jakpa, 1981). The flow of goods to the hinterland was also facilitated by the railway (Olanrewaju, 1986).

The existing Nigerian Railway Corporation (NRC) was created by the enabling Act of 1955 (as amended in 1990), after starting as a Government Department in 1898. The responsibilities of the NRC as spelt out in the Act establishing it include ‘carriage of passengers and goods in a manner that will offer full value for money, meet the cost of operations, improve marker share and quality of service, ensure safety of operations and maximum efficiency, meet social responsibility in a manner that will meet the requirements of rail users, trade, commerce, industry and the general public’.

The Nigerian railways during its heyday, contributed significantly to the export of products such as cotton, groundnut, hides and skin, tin and columbite, coal and so on, and all of the promote growth and development in the areas where they were produced (Onakomaiya, 1978). As a result of the oil boom of the early 1970s, the Nigerian Railway Corporation benefited from the patronage of Peugeot Automobile of Nigeria, Inland Containers Limited, Steel Rolling Mills, West African Portland Cement (now Lafarge), Flour Mills, Nigerian National Petroleum Corporation and Cattle traders among others (Ayodele, 2000 and Adesanya, 2002). In addition, a sizeable proportion of the goods movement to and from the Nigerian seaports was by rail transport. More significantly, the rail transport sector contributed partly to industrial growth as well as interregional trade and commerce. It also facilitated passenger movement and generated employment, while also contributing reasonably to National GDP.

To a considerable extent, the Nigerian railways met some of its responsibilities, in terms of their contribution to economic growth as well as promoting interregional and international trade, especially in the first half of the twentieth century (Robinson et al, 1961 and Onakomaiya, 1978). In the early 1970s, which coincided with the first phase of oil boom in Nigeria, petroleum products and containers became important components of rail traffic. In addition, a sizeable proportion of the goods movement to and from the Nigerian seaports was by rail transport Up the mid-1970s, the rail transport sector did not only stimulate industrial growth as well as interregional trade and commerce, it plays a key role in passenger movement, in employing people as well as contributing substantially to the GDP.

Given limited rail expansion activities, as at today, only a few state capitals are connected by the railways. Besides, only the Apapa and Port Harcourt major seaports are served by the railways (Okanlawon, 2006). In short, just 19 out of the existing 36 states are connected by the railway (Edward, 2001).

CHALLENGES FACING THE NIGERIA RAILWAYS

Poor Funding and Huge Operating Losses

The deterioration in the railways has been partly a result of lack of sufficient budgetary provision by the Federal Government coupled with poor management by the Nigerian Railways Corporation (NRC). The Federal Government has disproportionately invested and allocation funds to this sector, in favour of the road transport sub-sector. This situation is traceable to government's lip service and lackadaisical approach to addressing the problems facing the NRC (Filani and Adesanya, 2010). The rail transport subsector hardly gets up to one-fifth of the allocation to the transport sector. Indeed, the lack of necessary resources to keep tracks, rolling stocks and maintenance facility in reasonable working condition is said to have produced a serious deterioration of the railway system. (Draft National Transport Policy, 2010). In spite of generating relatively small revenue annum, its pension bills alone, which rose from N577 million in 1991 to N2.4 billion in 2009, has eroded into what is generated 9NRC Annual Report, 2009). Between 1995 and 2001 alone, its average operating loss was 13 per cent (and as high as 52 per cent in 1995). This proportion rose to 34.2 per cent between 2004 and 2008 (Five Year Financial Summary of NRC, 2004-2008).

Poor Response to Emerging Rail Transport Needs

The rail transport network remained has remained virtually static, with little accretion to the network since the early 1960s. This near stagnation in rail expansion has not allowed rail network to link principal urban centres or major growth points that have since emerged. Ironically, the Nigerian economy has expanded and new growth points have emerged after the completion of the Borno Extension (Kuru to Maiduguri line) in 1964. Unfortunately, rail lines remained as they were until the early 1990s, which could be referred to as the third phase of rail line expansion, when the Itakpe- Ajaokuta-Warri rail line construction project began. It is a 277- kilometre standard gauge (1435mm) rail line. There is also the 19-kilometre standard gauge rail extension project from Eleme to Onne deep-sea port. (CBN Annual Report and Statement of Accounts, 1998).

Loss of patronage to the Road Transport Sector

The current imbalance in modal share between rail and road transportation emerged after the 1960s. Up until then, the railways carried over 60 per cent of the freight tonnage compared to its current share of less than 2 per cent. The highest number of passengers carried was 15.5 million in 1984 and the highest volume of freight was 2.4 million metric tonnes in 1977, and by 2000/1 traffic had fallen to 2 million passengers and less than 300,000 metric tonnes of freight. The railway now accounts for less than one per cent of land transport in the country.

Between 2000 and 2010, the rail passengers carried annually were barely up to 2 million, while the tonnage of the freight or goods conveyed was not up to 170,000 tonnes in any year, during the period under examination (Figs 1 and 2). Whereas, in the early 1960s, close to 3 million tonnes of goods were conveyed annually (Table 2). The poor quality of rail service has made the NRC to lose the patronage of some of its principal clients, such as the Nigerian National Petroleum Corporation (NNPC), Larfarge Cement -Wapco PLC, Peugeot Automobile of Nigeria (PAN), Flour Mills and so on. In addition, it lost the patronage of passengers too.

Configuration of Track and Facilities Problem

The rail line is characterised by worn out rails, steep gradients, sharp and in some cases, reverse curves, leading to low speed of train, frequent derailments, poor turn-around time for wagons/coaches and even accidents. Lack of spare parts/equipment to undertake scheduled and/or preventive maintenance also constitute a key impediment to Nigerian railways productivity and performance. The effect of this on operations is a reduction in the number of operational trains and disruption of train services.

Weak Political Will and Commitment

Above all, the lack of commitment in implementing and meeting the timelines for plans and programmes, including those spelt out, in recent years, in the Master Plan for an Integrated Transportation Infrastructure and the 25 Year Strategic Vision for Nigerian Railway System is a major challenge to the resuscitation and development of the railways to a modern and efficient railway system.

RECENT EFFORTS AT RESUSCITATING THE NIGERIAN RAIL TRANSPORT SECTOR

Another noteworthy initiative for restructuring Nigerian railways was suggested in the early 1990s, in which the NRC was to be restructured into four interrelated companies, namely: The Nigerian Railway Plc, Nigerian Railway Inspectorate Board, Nigeria Rail Track Authority, and Nigerian Railway Engineering Plc (FGN, undated). This proposal was not implemented. It is important to mention the Federal Government’s plan of rejuvenating and modernising the rail transport sector by preparing the 25 years (2002-2027) strategic vision document for the Nigerian railways. The vision is geared towards ‘re-establishing the railway as a key driver in the transport sector, by transforming the Nigerian railway system from a non-performing and debt ridden corporation to a dynamic player in the transport sector through strategic investments, new policy initiatives, and by encouraging investment by the private sector’ (FRN, 2002). The Master Plan for an Integrated Transportation Infrastructure (MITI) that was prepared in 2002 is also expected to be a blueprint for coordinating and integrating all modes of transport and, by implication, will strengthen the growth and development of the Nigerian railways.

For proper coordination and overseeing the implementation of the railway reform process, the Transport Sector Reform Implementation Committee (TSRC) came up with a reform agenda that will culminate into the concessioning of the NRC through the following steps:

• Formulate and implement a new transport policy for Nigeria
• Representation of a new Railway Act
• Creating a new legal and regulatory framework within the context of the proposed National transport Commission
• Restructuring of the NRC
• Divesting NRC non-core assets, and
• Introduction of private participation, by granting concessions for both freight and passenger operators.

NIGERIAN NATIONAL PETROLEUM CORPORATION

The Nigerian National Petroleum Corporation (NNPC) is the state-owned oil corporation responsible for the exploration, production, refining, and marketing of petroleum products in Nigeria. Established in 1977, NNPC operates as a government-owned entity overseeing the country's oil and gas sector, which plays a significant role in Nigeria's economy.

NNPC's responsibilities include managing joint venture partnerships with international oil companies, regulating the petroleum industry, and ensuring the country's energy security. It also engages in various upstream and downstream activities, including exploration, drilling, refining, and distribution of petroleum products.

Despite being a major player in Nigeria's economy and a significant source of government revenue, NNPC has faced criticisms over the years regarding transparency, governance, and operational efficiency. Efforts have been made to reform the corporation to improve accountability and efficiency in the management of Nigeria's oil resources.

CHALLENGES ENCOUNTERED BY THE NIGERIAN NATIONAL PETROLEUM CORPORATION

The Nigerian National Petroleum Corporation (NNPC) faces several challenges, which have hindered its effectiveness and efficiency in managing Nigeria's oil and gas sector. Some of these challenges include:

1. **Corruption and Lack of Transparency:** Corruption has been a persistent issue within NNPC, leading to financial mismanagement, embezzlement, and diversion of resources. Lack of transparency in contracts, revenue allocation, and decision-making processes has fueled distrust and hindered accountability.

2. **Inefficient Governance Structure:** NNPC's governance structure has been criticized for its complexity and lack of clarity in roles and responsibilities. This has resulted in bureaucratic inefficiencies, delays in decision-making, and difficulties in implementing reforms.

3. **Infrastructure Deficiencies:** The oil and gas infrastructure in Nigeria, including pipelines, refineries, and storage facilities, are often outdated, poorly maintained, and susceptible to vandalism and sabotage. This results in frequent disruptions to production and distribution, leading to revenue losses and supply shortages.

4. **Subsidy and Pricing Issues:** NNPC has struggled with fuel subsidy management and pricing policies, which often result in significant financial burdens on the government and distortions in the market. Subsidy payments contribute to fiscal deficits and divert funds from critical social and infrastructure development projects.

5. **Security Concerns:** The oil-producing regions in Nigeria are prone to security challenges such as militancy, pipeline vandalism, and oil theft. These security threats not only disrupt production and export activities but also pose risks to personnel safety and environmental sustainability.

6. **Underinvestment in Upstream Development:** Despite Nigeria's significant oil reserves, there has been underinvestment in exploration and production activities, leading to declining output and reliance on imports for refined petroleum products.

7. **Political Interference:** NNPC's operations are often subject to political interference, which can undermine professional management, hinder long-term planning, and perpetuate rent-seeking behaviors.

EFFORT AT RESTRUCTURING THE NIGERIAN NATIONAL PETROLEUM CORPORATION

NNPC Restructuring Comes with Controversy

The much-awaited restructuring of Nigeria’s national oil company, Nigerian National Petroleum Corporation (NNPC), was unveiled on Tuesday by Minister of State for Petroleum Resources, Dr. Emmanuel Ibe Kachikwu. The restructuring is part of the efforts by President Muhammadu Buhari’s administration to reposition the loss-making oil company and eradicate the institutional corruption that has constrained efficiency and profitability over the years.

Apart from corruption, which has been the bane of the NNPC, fuel subsidies, oil theft, pipeline vandalism, tenuous crude oil swap agreements and malfunctioning refineries are areas that account for the revenue leakages in the company. In its Monthly Financial and Operations Report for August 2015, the NNPC announced a loss of N378.49 billion for the first eight months of last year. According to the Minister, refineries were among the largest operational loss-making ventures of the NNPC.

Kachiku said four new companies have been added to the 16 companies that made up the NNPC, taking the total number of companies currently under the national oil company to 20. He said the company will, henceforth, operate under five major divisional groups, namely, Upstream, Downstream, Gas and Power Refineries and Ventures, which will be business-focused. With the reforms the administration is carrying out, the Minister expects that by the end of the year, the NNPC should begin to turn in a profit.

"It is a five business focused unbundling and they all report to the GMD and the whole idea is to focus everybody that it is no longer an administrative but business role. The group is going to become more nimble," Kachikwu, who is also the Group Managing Director of NNPC, said in a statement on Tuesday.

Nigeria's oil sector contributed 8.06 percent to total GDP in the fourth quarter of last year, down from 8.97 percent recorded in a similar quarter of 2014, according to a new report by the National Bureau of Statistics. (The non-oil sector contributed 91.94 percent to Nigeria's GDP in Q4 2015). But oil still accounts for a large proportion of government's revenue and the source of the country's foreign exchange. As oil prices have fallen by over 60 percent in the last 20 months to the current $40 per barrel price threshold, consolidated government revenues have declined from between 60-70 percent before the oil price shock to 40 percent today.

Oil production levels have also declined from 2.19 million barrels per day in 2014 to 1.9 million bpd in January 2016. With the restructuring and repositioning of the NNPC, the Buhari administration hopes to increase production by reducing oil theft, properly managing the pipelines and having functional refineries to cut down the cost of importing refined petroleum products for domestic consumption.

Kachikwu said the country needs $500 million to have the refineries back to full capacity and meet the government's target of ending importation of petrol in the next 18 months. To achieve this, the Minister said there are ongoing discussions with new joint venture partners to co-locate and build new refineries alongside the country's four existing refineries in Kaduna, Warri and Port Harcourt.

"We have advertised recently for co-located refineries and asking people to come and co-locate new refineries into our refinery premises so that they can share pipelines, tankages, and we are working hard to see that we can complete whatever refinery upgrade we are trying to do within the next 12 to 18 months," Kachikwu stated.

On fears that the restructuring will lead to job losses at the NNPC, the Minister of State for Petroleum Resources and GMD of NNPC said the restructuring has been done in a way that it does not lead to job losses. However, it would ensure more efficiency and productivity of the workforce. After the announcement by Kachikwu, oil workers under the umbrella of the National Union of Petroleum and Natural Gas Workers (NUPENG) and Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) have embarked on an indefinite strike stating the disregard of due process by the GMD.

The House of Representatives has also raised concerns about the legality of restructuring the NNPC without legislative approval. The House or Representatives said yesterday that the Act establishing the NNPC has to be duly amended for this restructuring process that involves creating new companies under the NNPC to be legitimate.

In his response, the Minister said no law has been broken as the process does not involve unbundling of the NNPC as prescribed by the Petroleum Industry Bill (PIB) which is yet to be passed into law.

Kachikwu said NNPC "remains the same entity but with different units internally for enhanced efficiency and profitability. Besides, the NNPC Act allows for the restructuring of NNPC."

Reference: Financial Nigeria