



ISSN: 2315-7844

Website: [www.arabianjbm.com/RPAM\\_index.php](http://www.arabianjbm.com/RPAM_index.php)

Publisher: Department of Public Administration Nnamdi Azikiwe University, Awka, Nigeria and Zainab Arabian Research Society for Multidisciplinary Issues Dubai, UAE

## **NEW PUBLIC MANAGEMENT PRINCIPLES AND PRIVATIZATION OF THE NIGERIAN PUBLIC ENTERPRISES: A STUDY OF BENUE HOTELS LTD**

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### **Abstract**

*The execution of government functions in Nigeria is constrained by weird activities as well as extraneous responsibilities. There is therefore a renewed emphasis to redesign government and unburden it of such nonessential responsibilities and devote full attention to those functions that are intrinsically governmental. The main objective of the paper is therefore, to assess the New Public Management (NPM) principle of privatization and its efficacy in enhancing the public sector service delivery. In order to achieve this, data was collected through primary and secondary sources. Out of the four hundred and thirty-nine staff and customers of the organization, three hundred and thirty-five were sampled for the study. The results of our analyses revealed that privatization, though constrained by corruption, bureau pathology, and political interference, among others, have enhanced the performance of Benue Hotel. The paper therefore recommended among others, the decentralization of authority, improved governance environment with political, economic and social stability.*

**Keywords:** Bureaucracy, Enterprise, Government, Performance, Public Sector.

### **Introduction**

The New Public Management (NPM) is a new perspective to the study of Public Administration. It emerged in the last quarter of the twentieth century in United States of America and has spread to other nations including New Zealand, Great Britain, China and Mongolia, among other countries (Moses, 2012). The thrust of this revolutionary management technique is to reinvent government (REGO) in order to produce better performance and greater accountability. In other to achieve these, it employs modern managerial tools such as performance appraisal, cost cutting, functional autonomy, financial incentives, output targets, innovation, responsiveness and accountability (Osborne and Gaebler, 1992). Knit together into a coherent whole, these technologies reinforce each other.

The NPM relies on the market principle, as against the state bureaucratic principle to regulating, social and economic process. It advocates the roll-back of state thesis in which state assumes the role of a facilitator and promoter of public activities rather than a doer of such activities and services. It devices new tools, techniques and procedures to fine tune the public administration so that it can effectively achieve its goals in the changing environment of globalization, privatization and liberalization, Osborne and Gaebler, (1992) remarked. For this purpose, it borrows methods, practices and procedures from business administration and advocates the adoption of same in public administration. The approach focuses on result and promotes competition inside and outside government. About the nature of governance under the NPM, Osborne and Gaebler (1992:5) further remarked, “we do not need more government; we need better government to be more precise. We need better governance. Governance is an act of collectivity solving our problems. Government is the instrument we use, this instrument is outdated and it is time to remake it.”

The Nigerian economy, until recently had been dominated by public enterprises (Uveryol, 2013). On the account of their bloated size, inefficiency and general poor work ethics, a considerable number of these concerns constituted a drain on the public purse and hence, the economy. Gradually, public sector services in the nation became avenues for corruption, god-fatherism and waste, the above author further stated. Thus, by the 1980s, largely on the account of the dwindling resources with which to run these non-performing public enterprises and the logic of changing the focus of government to core developmental issues, Nigeria was faced with the choice of privatizing them.

The NPM, also known as “Entrepreneurial Government” seeks to merge the core values of business administration in the domain of public administration. This is because the execution of government functions through the traditional bureaucracy has fallen short of the aspirations of the people, most especially as government services are ridden with wastes, unresponsiveness and red-tapism, among other vices. There is therefore a renewed emphasis to modernized and make bureaucracy to function efficiently and effectively through the NPM principles. In the words of Nigro and Nigro (1984:15), “clients focused administrations is recommended along with debureaucratization, democratic decisions- making and decentralization of administrative process in the interest of more effective and human delivery of public service”.

Privatization, in the spirit of the NPM meant that Nigeria had to divest business from the art of governance and contract out services to enhance the scope of competition, and a style of management which is flexible and autonomous. Thus, vital sectors of the economy have been reformed through privatization to pave way for better infrastructures, as a linchpin for long-term growth of the modern economy.

However, despite the reform effort, public enterprises in the nation have not achieved much. Thus people still complain of inefficiency in service delivery. In fact, there is a mis-match between the expected and actual performance of public enterprises in Nigeria. Has the NPM principle of privatization positively impacted on the performance of Benue Hotel limited? This is the major question the study intends to provide answer (s).

The main objective of the paper is to assess the impact of privatization on the performance of public enterprises in Nigeria. The specific objectives of the study are to: ascertain the factors that led to privatization of Benue Hotel, know if privatization enhanced the performance of Benue Hotel, find out factors that constrained the performance of Benue Hotel and to suggest solution to constraints of privatization of public enterprises in Nigeria. The study covered

privatization of Benue Hotel limited between 2005 to 2014. It was hypothesized that there is no significant relationship between privatization and the performance of Benue Hotel.

The study used both primary and secondary data. Primary data were generated from questionnaires and interview administered to staff of Benue Hotel (BH) and their customers. Out of 118 staff of the organization, 91 were selected as sample for the study using purposive sampling, and questionnaires were administered to them. However 72 of the administered questionnaire were returned. Out of the 348 customers who availed themselves of the services of the Hotel in October, 2014, 210 were randomly selected and questionnaire administered to them. Among the customers, 163 rightly filled and returned their questionnaire. The analyses in the study were therefore based on 235 respondents comprising of staff and customers of Benue Hotel limited.

### **Conceptual Framework**

Many scholars and practitioners in administration have written on the NPM as a global revolution in public management, the latest manifestation of the never-ending process of government reform. A few of these works have been captured in this part of the paper.

The NPM labels a series of innovations occurring domestically and abroad (Organization of Economic Cooperation and Development (1995). While the reform movements vary in depth, scope, and success by country, they are remarkably similar in the goals they pursue and the technologies they utilize. The movement is driven to maximize productive and allocative efficiencies that are hampered by “bureau-pathology” that is, public agencies unresponsiveness to the demands of the citizens led by bureaucrats with power and incentives to expand their administrative empires and policy spaces (Negel, 1997).

The innovative public-administration reform (NPM) infuses market principles into the political world. Specifically, it means:

- i. Striving for efficiency, in addition to effectiveness and equity, in the delivery of public services,
- ii. Utilizing economic market models for political and administrative relationships: public choice, negotiated contracts, transaction costs, and principal-agent theory; and
- iii. Applying the concept of competition, performance-based contracting, service delivery, customer satisfaction, market incentives, and deregulation (Kaboolian, 1996).

Privatization, in the mainstream of the NPM, exhibits all these characteristics. It is, in fact, now common-place throughout the world: in communist societies and capitalist countries; in democracies and dictatorships. It is no longer a partisan or ideological issue, but rather a pragmatic and increasingly routine approach to governing and to managing public services (Dennis, 1996).

Privatization can be defined as the transfer of ownership right from public agency to the private sector where services (production and consumption) can be regulated more efficiently by the market and price mechanism. It could also be seen as the sale of government-owned assets, the opening of certain markets to private sector competition and government-private sector joint ventures infrastructure projects.

According to Anya (2004), privatization is the liberalization of the economy through increasing private sector involvement in capacity utilization. The aim is to free enterprise from control of rigid bureaucratic structures and makes the management of such enterprises more flexible in their operation and investment strategies. The end product of privatization, as revealed by the above definitions, is thus a significant relationship between the government and private sector,

with the role or the level of involvement of the state in the economy being reduced, as more of the functions get shifted to the private sector.

### **Relevance of Privatization**

Contributing on the need for privatizing government companies in India and other developing countries, Sharma (2011) opines that the bureaucracies of the nations are not functioning satisfactorily. Therefore, they have to be downsized through privatization and outsourcing to the private sector. That, the government in the countries should regulate the performance of these activities or functions, and as well create proper environment for free play of competition.

Another writer on the same intellectual plane, Haynes (2003) posits that the NPM is a change from administration and professional bureaucracy to a more managerial and market based system. He emphasized that the NPM wants the reduction of bureaucracy and to make organizations flexible, so at the same time it can attain with the three Es: Economy, Effectiveness and Efficiency.

In order to achieve the performance measures for which the private sectors are accountable, it is argued, managers need to be liberated from routines and regulation by the various administrative systems e.g. procurement and personnel (Peter, 1987; Thompson, 1997). This advice has been embraced by the public sectors especially in the developed worlds. Focusing on the United Kingdom and United States of America, David (1997) cited examples of state owned businesses which have been contracted out to private firms so as to ensure efficient management of the enterprises. He states a striking example of the limitless opportunities for privatization where the British Defense Ministry is seeking proposals to privatize even the Queen's airline, the Royal Air Force Squadron that transports the royal family, government ministers and VIPs around the world.

Privatization is also being carried out by the private sector itself; in a manner of speaking. "Outsourcing" is a growing phenomenon in the United States as companies subcontract with specialized firms to operate their computers, handle their logistics (warehousing and delivering), assemble parts, process their mails, do their marketing, advertising, and public relations; manage employee benefits etc. When done properly, this does not hollow out the corporation; it reduces internal bureaucracies, flattens the organization, and affords greater strategic focus. Thus, outsourcing brings many of the same benefits to private corporations that privatization brings to governments (David, 1997). Lynn (1996) is however, enthusiastic about the possibilities presented by the NPM for empirical research and theory building, though he warns that this set of administrative reforms will fade from the scene, as many others before it have.

However, privatization, properly carried out as exemplified in the western nations (Europe and North America), works well and produces proven results. It requires a different role for government, and it calls for more brain cells and fewer muscle cells in the public service- more steering and less rowing (Savas, 1997).

There are several shortcomings of privatization principle. First and foremost, there is a genuine fear that the influence of power brokers, interest groups and other political considerations will prostitute the exercise by replacing public monopoly with private monopolies. The story of the partially commercialized Power Holding Company of Nigeria (PHCN), where over \$16 billion has been sunk to reactivate it but is still intractable problem in the power supply can be cited as an example (Anyebe, 2011).

Along the same line of argument, Obadan (2000) summarizes the fears about privatization as follows:

*Fear of job losses, exploitation of consumers through price hike and low quality goods and services, concentration of public assets in the hands of small elite groups and worsening of income and wealth distribution. Fear of subjugation of social objectives, monopoly of the privatization process by ethnic and other interest groups with easy access to capital, fear of lack of transparency, and hence corruption and nepotism, in the process, and fear of foreign domination.*

For credible privatization programmes to be achieved, the above fears have to be addressed with appropriate policies and regulatory frameworks to accompany the privatization process.

Privatization has created job insecurity as the workers in the affected organizations are being downsized in the name of reducing public expenditure. More so, because government is the major employer of labour in Nigeria, it becomes difficult to offer employment to the teeming population of the country through privatization of public organizations. All told, privatization entails cost to the society in terms of widening the income gap, loss of jobs as workers are being downsized in the name of reducing public expenditure; increasing inflation and limited ability of the public sector to influence supplies.

**Theoretical Frame Work**

The modern man seeks change not merely for change’s sake, but that the new is likely to be better than the old; that man through purposeful action, can improve his lot on the earth (Ujo, 2010). Postulated along this line of reasoning, modernization theory explains how and why traditional institutions are transformed into modern ones. It places nations of the world on a scale of modernity from the most traditional at one extreme end to the most modern at the other.

According to Rostow (1956), Modernization involve the social change whereby less developed countries (e.g. Africa, Asia and Latin America) acquire characteristics common to more developed societies (e.g. Europe and North America) such as industrialization, rationalization, secularization and bureaucratization. The paper therefore, adopted modernization as the theoretical base.

Administrative modernization, especially in the spirit of the New Public Management is concerned with the administrative changes that occurred in European countries in particular in the modern period and then reoccurred in Nigeria and other developing worlds in recent times. Put differently, privatization policy which enhanced the development of the western nations is being adapted for the growth and development of the Nigerian state. The transformation or reform process of reinventing government is aimed at building the capacity of administrative systems to solve problems in the spirit of globalization, privatization and liberalization

**Results and Their Discussions**

The information gathered during field survey is here under presented in tables and analyzed using simple percentages. The distribution and return of questionnaire which formed the basis of information for the paper is analyzed on table 1 below:-

**Table 1 Distribution and return of questionnaire**

Respondents	Number distributed	Number returned	Number not returned	% of total returned	% of total not returned
Staff (BH)	91	72	19	30.64	27.79
Customers	210	163	47	69.36	71.21
Total	301	235	66	100	100.00

**Source: Field Survey, 2014**

Table 1 above shows that 301 questionnaire were distributed to respondents during field survey for the study. Out of these numbers, 235 were returned and 66 of the questionnaire were not returned. The analyses in the paper were therefore based on the questionnaire duly completed and returned from the field survey.

**Privatization of Benue Hotel**

The respondents were asked during field survey to say if inefficiency in service delivery was responsible for the privatization of Benue Hotel or not, and their responses were as shown on table 2 below:-

**Table 2: Inefficiency in service delivery is responsible for privatization of Benue Hotel.**

Responses	Staff	Customers	Total	% of response
Agree	20	50	70	29.79
Strongly agree	16	38	54	22.98
Undecided	06	10	16	6.81
Disagree	18	29	47	20
Strongly disagree	12	36	48	20.43
Total	72	163	235	100 appr

**Source: field survey, 2014**

The above table 2 shows that majority of the staff and customers of Benue Hotel represented by 124 (52.77%) respondents agreed/ strongly agreed that Benue Hotel was privatized because of inefficiency in its services and 94 (40.43%) of the respondents disagreed/strongly disagreed, while 16 (6.81%) of the respondents were undecided . In comparing the number of responses, it can be inferred that the drift more towards the assertion that inefficiency in service delivery resulted to privatization of Benue Hotel.

**Causes of ineffective performance of Benue Hotel**

The staff and customers of Benue Hotel were asked to dispute or endorse if the factors contained on Table 3 below were responsible for poor performance of the organization and their responses were accordingly analyzed.

**Table 3 Causes of Poor Performance of Benue Hotel**

Factors	Staff		Customer	
	Frequency	Percentages	Frequency	Percentages
Bureaucracy	14	19.44	40	24.54
Corruption	20	27.77	34	20.86
Political interference	16	22.22	29	17.79
Poor leadership	12	16.66	30	18.40
Inefficient workforce	10	13.88	30	18.40
Total	72	100 appr	163	100 appr

**Source: field survey, 2014**

As seen on Table 3 above, majority of the respondents among the staff and customers of Benue Hotel represented by 48.63% were of the opinion that corruption was responsible for the poor performance of the organization. This was followed by bureaucracy and political interference which had 43.98% and 40.01% respondents respectively among the staff and customers of the Hotel, while inefficient workforce had the least number of respondents. This portends that the stated factors strained the performance of Benue Hotel during the period of study, though the magnitude of the causative factors varied.

Information gathered during the oral interview of the stakeholders also agreed that inefficiency in service delivery necessitated the privatization of Benue Hotel by the state government. Some of the respondents were of the view that bureaucratic bottlenecks, embezzlements, political interference and inefficient workforce among other factors stifled performance of the organization. This consequently led to its privatization.

**Performance of the Privatized Benue Hotel**

The staff and customers of Benue Hotel were also asked to say if services of the organization had improved overtime as a result of privatization of the organization, or not, and their responses were as shown on Table 4 of the study.

**Table 4: Privatization resulted to improvement in service delivery of Benue Hotel limited**

Responses	Staff (BH)	Customers	Total	% of responses
Agree	24	58	82	34.89
Strongly agree	18	41	59	25.11
Undecided	05	07	12	5.11
Disagree	13	29	42	17.87
S/Disagree	13	29	42	17.87
Total	72	163	235	100 appr

**Source: Field Survey, 2014**

The table 4 above shows that 141 respondents of the study represented by 60% agreed/strongly agreed that services of Benue Hotel had improved overtime as a result of privatization of the organization, while 82 respondents (or 34.89%), disagreed/strongly disagreed to the assertion; and 12(5.11%) respondents were undecided. In comparing the number of respondents who agreed/strongly agreed with those who disagreed/strongly disagreed, it can be seen that the drift was more towards the assertion that services of BH improved over time as a result of privatization of the organization. The information gathered during field survey (questionnaire and interview) revealed that Benue Hotel engages services of other organizations or private individuals through outsourcing, at the same time it debureaucratized and downsized its operation in recent times. These innovations, among others led to improvement in its services to customers.

**Test of Hypothesis**

The hypothesis being tested, as earlier mentioned in the paper is: There is no significant relationship between privatization (REGO) and the performance of the Nigerian public service. The hypothesis was tested using chi-square as a statistical tool of analysis as seen below:

**Table 5: Responses on Service Delivery as a Result of Privatization**

Responses	Frequency	Percent	Valid percent	Cumulative percent
Agreed	82	34.89	34.89	34.89
Strongly Agreed	59	25.11	25.11	25.11
undecided	12	5.11	5.11	5.11
Disagreed	42	17.87	17.87	17.87
Strongly Disagreed	42	17.87	17.89	17.89
<b>Total</b>	<b>235</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source: SPSS Computer Print Out**

From the result of the analysis on performance of Benue Hotel (see table 5 above), chi-square output on table 6 below was generated.

**Table 6: Chi- Square Test**

	Value	DF	Asymp. Sig (2 sided)
Person chi-square	210.05 (a)	9	.000
Likelihood ratio	235.712	9	.000
Linear by linear association	120.340	1	.000
No of valid cases	235		

a. 3 cells (16.6%) have expected count less than 5. The minimum expected count is 2.23  
 As seen on table 6 above, the calculated chi-square value is 210.05. While the critical value at 0.05 (95%) level of significance and 3 degree of freedom is 7.81. In comparing the two values, we shall see that the calculated value is greater than the critical value.

**Decision Rule (Decision)**

If the calculated chi-square is greater than chi-square critical, reject the null and accept the alternative hypothesis, and vice versa. Thus, we reject the null hypothesis and accept that privatization in the spirit of the NPM has impacted positively on the performance of Benue Hotel during the period of study. The result of the hypothesis therefore accords with information obtained from the research respondents during field survey.

**Discussion of findings**

Inefficiency in the service delivery of Benue Hotel resulted to the privatization of the organization by the state government. This position was arrived at based on the views of customers and staff of the organization during field survey of the study. The factors responsible for the poor performance of Benue Hotel, as gathered during the study includes excessive bureaucratization, corruption, political interference, poor leadership and a host of others.

The study also revealed that privatization led to improvement in the performance (service delivery) of Benue Hotel during the period of study as respondents for the study overwhelmingly agreed/strongly agreed to the position.

Corruption, excessive bureaucratization, and political interference, among others have impacted negatively on the performance of Benue Hotel. Information obtained from staff and customers of the cement companies during field survey accords with this position.

Privatization is basically a political reform act. Thus, if properly implemented, it can yield substantial benefits in terms of enhanced efficiency, growth and better service delivery. But then, privatization, in the spirit of the NPM has to be viewed as one of the processes of economic reform and should be implemented with complementary macroeconomic policies to achieve the desired goals. Such policies relates to economic and financial liberalization and competition and appropriate regulatory framework to ensure proper conduct of privatized enterprises.

**Recommendations**

Improved governance environment with the presence of accountability and transparency in the conduct of government business, especially Benue hotel is very essential. These will usher in improved performance of the organization. Consequently, the organization (BH) or state at large will grow and develop.

Efforts must be made by all and sundry to diversify the economy. The prevailing weak manufacturing base, heavy dependence on oil, high external debt ratios are dragnet on Nigeria's growth and development as well as on its international competitiveness.

Management of Benue Hotel should be liberated from routines, bureaucratic procedures and regulation by the various administrative systems e.g. procurement and personnel (Peters, 1987). In fact, deregulation, that is relaxing the rules, decentralizing authority and increasing discretion

of managers, is the recommended course of action in the operation of Benue Hotel in order to enhance the performance of same. Deregulation has taken the form of civil service reforms, delegation of authority to agency based managers (Horner, 1994).

Probity and accountability should be ensured in the management of public enterprises, if privatization will have to achieve the desired aim. In fact, unethical behavior in public organization should be rooted out by strengthening the function of anti-corruption agencies such as Economic and Financial Crime Commission (EFCC), Code of Conduct Bureau Tribunals and a host of others.

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