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Management Capacity and Development

While O. J. Fapohunda uses the case of Nigeria to point out how serious a constraint a shortage of executive capacity can be to economic development, W. A. Ndongko takes a rather critical view of the efforts by many developing countries to meet this shortage through the employment of foreign advisers.

The Case of Nigeria

Dr Olanrewaju J. Fapohunda, Lagos *

Given a country's resources and technological know-how, the size of its output depends on how both the material and human resources combined in the productive process are managed. In other words, they depend on the effectiveness of the executive capacity of the country. As an economy grows, the demand for executive capacity increases. Since the executives are the people who decide how to build and manage the enterprises which combine natural resources, technology, and human effort, for productive purposes, a shortage of executive capacity in a country will militate against the economic growth of that country.

In economic theory, executive capacity is thought of as an economic resource, a factor of production, which should be set up alongside the classical factors of production — land, labour and capital. According to Harbison and Myers, a country's

economic development may be limited by a relative shortage of this critical factor or significantly accelerated by a high capacity to accumulate it¹. In fact, in evaluating the significance of executive capacity in a productive organisation, they concluded that executive capacity, "in many instances... is an even more critical factor in industrialization than capital, and it is almost more vital to development than either labour or natural resources"².

Many traditional economic development theorists have thought of capital as the main constraint to economic development. The developing countries are thought to be labour surplus economies. To develop, such economies should siphon the surplus funds which exist in the agricultural sector into the industrial sector, use them as capital to build up their industries and transfer the redundant labour in agriculture

to the factories³. An oil-rich developing country must have a different economic development strategy. Its basic problems are, to be able to order the priorities for economic development, to obtain the technological know-how and to find the high-level manpower to implement economic development plans.

The Nigerian Economy

The 1963 census put the population of Nigeria at 55.67 million. Of this 32.9 p.c. or about a third were classified as economically active. According to the Guidelines for the Third National Development Plan the population of Nigeria is growing

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¹ Frederick Harbison and Charles A. Myers, *Management in the Industrial World: An International Analysis*, New York 1959, p. 3.

² *Ibid.*, p. 19.

³ See for example John Fei and Gustav Ranj, *Development of the Labour Surplus Economy: Theory and Policy*, Homewood, Illinois, 1964.

at the rate of 2.5 p.c. per annum⁴. At that rate, the population of Nigeria at the end of 1974 was about 73 million. At the time of the 1963 census about 82 p.c. of Nigerians lived in rural areas and were mostly engaged in agriculture (about 70 p.c.). For a country like the US the corresponding figure is less than 5 p.c. Thus Nigeria depicts the characteristics of a labour surplus economy.

Measured by the performance of the GDP index, the Nigerian economy has been performing well in recent years. During the 4 years between 1969/70 and 1973/74 the GDP of Nigeria grew at an unprecedented average rate of 17.5 p.c. per annum. A breakdown on yearly basis shows that the Nigerian economy grew at the rate of 18.1 p.c. in 1969/70, 24.4 p.c. in 1971/74 and 12 p.c. in 1971/72. But this phenomenal growth rate has been due to the excellent performance of the mining sector — specifically oil — which accounted for 50 p.c. of the 12 p.c. growth rate recorded in 1971/72. Other sectors are not performing well. The rate of growth of agriculture was only 2 p.c. whilst that of manufacturing was 1.2 p.c.

The traditional main sources of foreign exchange for Nigeria, i.e. cocoa, ground-nuts and palm-produce are not performing as well as mining. The foreign earnings of these export crops fell from N £ 367.8 mn in 1970 to N £ 258 mn in 1972 and rose to only N £ 384.1 mn in 1973 whereas the export of crude petroleum rose from N £ 510 mn in 1970 to N £ 1,842 mn in 1973 — an increase of 261.2 p.c. The degree of dependence of Nigerian foreign exchange on petroleum rose from 35.2 p.c. in 1970 to 71 p.c.

in 1973, whilst during the same period petroleum as a proportion of total exports rose from 58.1 p.c. to 83 p.c. As a source of government revenue, the share of petroleum rose from 15.6 p.c. in 1970 to 52 p.c. in 1971/72. Thus one can safely conclude that as of now, Nigeria is increasingly becoming an oil economy and its present economic performance is due mainly to the oil industry.

Executive Capacity the Main Bottleneck

Not only are some sectors of the Nigerian economy not performing well but also in the use of the oil revenue achievement always fell short of what was planned. The low level of performance is due in most cases to the shortage of executive skills in each sector.

As the Permanent Secretary to the Federal Ministry of Mines and Power, Mr P. C. Asiodu put it "... the most serious problem we now face in managing the oil wealth is that of inadequate executive capacity to realise the productive projects outlined in the Plan (i.e. Second National Development Plan 1970-74)."⁵ Thus in the final year of the Plan, there are several major projects, particularly industrial and agricultural projects which have not progressed beyond the feasibility study stage. Failure to implement these projects on time means that the impact of the oil industry is not being spread fast enough.

Causes of the Shortage

On the supply side, the shortage of executive capacity is due in part to the long years of academic training and professional experience needed to produce an executive and to bad educa-

tional policy. Until recently, the educational policy of the country was not geared to producing high-level manpower that could be used in industry and commerce. For example although the University of Ibadan was founded in 1948, it was not until 1961 that the first graduates in economics were produced. At the time of founding the University, the colonial masters were interested not in producing engineers, economists or business administrators who could develop the nation; but in producing a few civil servants to whom they taught subjects like Latin, Greek and Religious studies.

In the absence of home-produced executives, the few that were needed were imported from abroad. This supply is now limited by the Government's policy of Expatriate Quota System which is a means of controlling the employment of expatriates in Nigeria.

On the demand side, a rapid growth of the Nigerian economy has meant an increased need for executive capacity. The increase in demand is made greater by the Federal Government's Indigenisation Policy. The rationale behind this policy was to put the ownership and control of the industries in the country in the hands of Nigerians. But this also meant an increase in the demand for indigenous executives.

Nigeria is in the early period of industrialisation. Many of the industries are government owned and the rest are owned by Nigerians or by expatriates in partnership with Nigerians or with the Nigerian Government. The executives of the country are therefore either expatriates or Nigerians who own their business or who have been or are still top civil servants, or people who have distinguished themselves as educationists, lawyers, retired army officers or

⁴ Federal Republic of Nigeria, Guidelines For the Third National Development Plan 1975-1980, Federal Ministry of Economic Development and Reconstruction, Lagos 1973, p. 9.

⁵ P. C. Asiodu, Managing Oil Prosperity, Paper presented at the Nigerian Institute of Management Conference, Enugu 1973.

politicians. Most of these people were not trained as business administrators but have acquired a wealth of experience in public administration or have special knowledge, special connections or know the inside workings of the government and these attributes are crucial to the existence or growth of the business. Even then their numbers are few. Where there are Nigerians in Senior Management positions, their appointments seem to be mere "window dressing". According to Stremlau and Rimlinger, "Although Nigerians constitute 15 p.c. of senior managers, there are yet few Nigerians in what might be called 'key' decision-making positions".⁶

Efforts for Filling the Gap

Beginnings are, however, being made to train career executives in the country. The training of the executives is a joint venture by both the private and public sectors of the economy and it falls into two categories. The first part is formal education which starts in the elementary classes and usually culminates in the university. The second part is informal training which is acquired through experience.

The Government's contribution to the formal training starts in the primary school. More relevant perhaps is the training of prospective executives in institutions of higher learning. There are at the moment six universities in the country and the Government has plans for expanding them and establishing four more.

The Government also has policies for awarding scholarships and bursaries to needy students and for granting loans to indi-

gent ones. Efforts are being made to expand and increase the number of Colleges of Technology and Polytechnics in the country.

A short-run impact of Government efforts on executive capacity is through the Industrial Training Fund (ITF) and the Centre for Management Development (CMD). The ITF was set up under Decree 47 of 1971 and its aim is to promote and encourage "the acquisition of skills in industry and commerce with a view to generating a pool of indigenous trained manpower to meet the needs of the economy". It is a joint venture between the Government and private firms that participate.

The functions of the Industrial Training Fund include:

- ☐ bearing a proportion (60 p.c.) of the direct costs of in-service training carried out by employers, whether on-the-job or off-the-job, provided such courses are approved by the Training and Research Committee of the Fund,
- ☐ assisting and/or strengthening training capability and facilities throughout the country,
- ☐ building up training facilities of its own,
- ☐ organising research and studies into training as a support to other activities of the Fund.⁷

The classes of workers for whose training the Fund can pay include managers, supervisors, professionals, technologists, operative and semi-skilled workers and training staff. Even though the Fund's main objective is to upgrade people already in employment, it will sponsor the training of persons not yet in employment in cases where "the anticipation of new industries calls for training in new

technology or where training facilities within industry are not adequate for training needs in the short term".⁸ The Industrial Training Fund helps in financing the training of executives in both the private and public sectors.

To co-ordinate management training so as to eliminate wasteful duplication and ensure that courses offered reflect the needs of the economy, the Nigerian Council for Management Education was founded by the Federal Government. Under the Council a Centre for Management Development was created. The Centre for Management Development was to "undertake in-plant consultancy and engage in a continuous programme of research into local problems and trends in management while strengthening existing institutions by participating in defining training needs, designing courses, preparing materials and delivering the training and follow-ups".⁹

The Federal Government has planned for the expansion of the activities of the Centre to include the following during the Third National Development Plan period:

- ☐ management training through general programmes, radio/television programmes, curriculum development, etc.;
- ☐ technical services and support by developing audio-visual services, preparing case studies, and building up specialist library facilities for the use of all management development programmes in the country;
- ☐ consultancy services including general functional consultancy and small business advisory services for indigenous business men, research and studies in business finance, productivity, business organisation,

⁶ Gaston V. Rimlinger, Carolyn C. Stremlau, *Indigenisation and Management Development in Nigeria*, Lagos, Nigerian Institute of Management, 1973, p. 30.

⁷ Industrial Training Fund. Policy Statement No. 1, Lagos Daily Times, July 24, 1974, pp. 15-18.

⁸ *Ibid.*, p. 15.

⁹ Second National Development Plan, p. 318.

personnel management, marketing, etc."¹⁰

Many private firms, the oil producing and marketing companies and commercial banks, have in-company training programmes or schools where their workers are trained to acquire skills and knowledge that may qualify them for executive positions. The professional bodies such as the Institute of Personnel Management of Nigeria and the Nigerian Institute of Management also organise sandwich courses to train people who are or could be promoted to managerial positions. In many cases the cost of the training of such executives is claimed from the industrial Training Fund by the firms. Certain Departments in the Universities such as the Continuing Education Centre of the University of Lagos and some institutions for technical education such as the Colleges of Technology, provide short-duration in-service training for people already in employment to upgrade them.

According to Rimlinger and Stremmlau, about 1,500 managers and supervisors attended courses organised by Professional Bodies and Institutions of higher learning in 1971¹¹. A new source of training is provided by the private consultant firms. Their training programmes are specialised and are also of short duration. Some of them are for managers and supervisors. The cost of this training can be paid for, at least in part, by applying to the Industrial Training Fund.

The Consultancies ...

A consultancy may be regarded as an institution that has some specialized or technical knowledge, skills, experience and the means of making scien-

tific enquiries about problems that the consulting firms need in the pursuit of their objectives and goals. Its functions are mainly to advise its clients basing its judgement on its technical knowledge and experience and scientific inquiry. In general, big businesses have research divisions that fulfil the functions of a consultancy.

There are four main categories of consultancies in Nigeria. The first and oldest is the foreign consultancies. These are foreign governments, international organisations, such as the IBRD and the IMF, foundations and foreign institutions and companies. Most of these come for specific purposes either at the request of the government, of a business enterprise or of an individual and some come as technical aids to this country. The second type is the government agencies. These include the various government ministries and quasi-government establishments that do advise the public from time to time. Under this category will come the Centre for Management Development mentioned above. The third category of consultancies are the universities and other institutions of higher learning and research centres. Unfortunately this category seems not to be fully utilized in Nigeria. This is due partly to the fault of the academic institutions which do not make sufficient efforts to make the businesses call on them and partly due to the fault of the businesses which, probably due to ignorance and apathy, do not appreciate the value of the academic institutions and do not call on them for help¹². The fourth category of consultancies is the private consultancy. Quite a number of them have sprung up in Nigeria during the past

decade in response to a great demand for consultants.

There are three main types of private consultancies in this category. The first are the small private consultancy firms. These were started by either retired civil servants who had acquired the experience while working for the government or people in business or industry who have acquired the experience over the years. There are also the professional bodies such as the Institute of Personnel Management of Nigeria, the Nigerian Institute of Management, etc. that organise short courses to train and upgrade workers into the executive posts. Finally there are organisations such as the Nigerian Employers' Consultative Association (NECA) that bind themselves together in order to be able to advise and help their members.

... and their Problems

Consultancies in Nigeria have two varieties of problems – internal and external ones:

Internal Problems: The two most important needs of a consultancy are a highly skilled high-level manpower and a very rich data bank. A highly skilled manpower that possesses the technical expertise is needed to survey, analyse, interpret, expatiate upon, and appraise a given problem, and a rich data bank is needed to provide the basic information needed to advise clients. In the absence of a good data bank, a consultancy has to generate its own data – a highly expensive affair. The consultancies in Nigeria are faced with acute shortage of experienced technical expertise and scarcity of data.

Being young, many of the consultancies do not have the capital to buy equipments to conduct research to generate original data. Moreover, research dealing with consump-

¹⁰ Guidelines For the Third National Development Plan, 1975-1980, op. cit., p. 52.

¹¹ Rimlinger, Stremmlau, op cit., p. 25.

¹² Olanrewaju J. Fapohunda, Justifying National Expenditure on our Universities, Lagos Daily Times, October 11, 1973, p. 7.

tion or market research is difficult to conduct as people do not always cooperate with researchers. This is partly due to the fear that such data will be used for tax purposes and partly due to the fact that most of the people do not appreciate the significance of research in general. Thus even if the funds and the manpower are available to conduct research, the consultancies might still not be able to generate the data they need.

External Problems: A very unfortunate but common disease of industries or establishments in Nigeria is a lack of confidence in, and a bitter prejudice against, something Nigerian. Even when there are competent Nigerian consultants, non-Nigerians are sometimes preferred

to Nigerians. Two other minor problems which are still external to the consultancy firms are the problem that their recommendations may be rejected and the fact that some consultancies, particularly the foreign ones, might not be aware of the effect of the sociological factors and native customs and traditions of Nigeria on the variables they are investigating. This might affect their results. These problems — both internal and external — will affect the growth of consultancies in Nigeria. The problems coupled with a short supply of consultancies will make consultant fees high and beyond the reach of most of the indigenous entrepreneurs which have small-scale businesses. Ironically, these are the people who need consultants most.

Realising the problem that the small-scale businesses have, the Federal Government has decided during the Third National Development Plan period to expand the functions of the Centre for Management Development to include "consultancy services including general functional consultancy and small business advisory services for indigenous businessmen; research and studies in business finance, productivity, business organisation, personnel management, marketing etc."¹³ In pursuit of this decision, branches of the Centre for Management Development have been opened in different parts of the country to cater for the small businessmen.

¹³ Guidelines For the Third National Development Plan 1975-1980, op. cit., p. 52.

Foreign Experts as Advisers in Developing Countries

by Dr Wilfred A. Ndongko, Yaounde *

In developing countries the available domestic trained manpower is largely complemented by foreign nationals who serve in the advisory capacity. The purpose of this paper is to critically examine the role of these foreign expert advisers who come to developing countries to supposedly fill the gap between the *required* and the *available* trained manpower necessary for the formulation and implementation of the various development programmes and projects. Furthermore the necessity to examine the role of foreign advisers in developing countries arises from the fact that some of the wastage of external aid resources by the re-

cipient countries¹ may be partially blamed on expert advisers who for the most part do not carry out their responsibilities with the dedication, understanding and objectivity as originally expected of them.

Costs to Donors and Recipients

Despite the fact that the dimension of the development problems requires that the developing countries continue to depend on the developed countries for expert advisers, the quality of the advice and the effectiveness of the advisers have a lot to do with the success or failure of their mission. To both the recipients and the

donors, in general, the costs of an unsuccessful expert mission take the form of the total capital investment in a development programme or a project plus the overhead or operating costs that are involved. In the case of the donors, these costs involve the transfer of real resources to the recipients. To the latter, the costs are reflected by their inability to achieve their overall development objectives especially as the projects in question may have been intended to play a leading role in their development plan.

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¹ Cf. Wilfred A. Ndongko, *Stop Wasting Aid*, in: United Nations Development Forum, April 1975.