THE INFLUENCES OF MULTINATIONAL CORPORATIONS ON THE MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA

By

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INTRODUCTION

Opinions differ widely on the question of the impact which multinational corporations have on the economies of African states. But there are, broadly, two principal and opposing schools of thought which may be described loosely, as «the Liberals» *(1)* and «the Liberationists».

The *Liberals* believe that multinational corporations (M.N.Cs) are agents of economic development and that mutually beneficial relationships could be established between them and public enterprises in Africa. Specifically, the Liberals maintain that a public corporation of an African state which enters into partnership with a multinational corporation to establish a joint enterprise would enjoy the following benefits: financial support from the M.N.Cs. in the form of share capital; easy access to technical know-how and the training of indigenous personnel; relatively cheaper costs of some of the production inputs (e.g. imported raw materials and spare parts assembly plant); access to the results of research and development activities carried out at the headquarters of the M.N.C.; and a higher degree of standardization and quality control than would otherwise be the case *(2)*. Thus, to the Liberals, partnership between M.N.Cs. and public enterprises in the underdeveloped states of Africa is a beneficial arrangement which ought to be encouraged.

In contrast, the *Liberationists* argue that, whatever minor, superficial and short-term benefits the M.N.Cs. may bring to an underdeveloped country, all in all, they take more away than they give. And, what is more important, they make it virtually impossible for self-directed and self-sustained development to occur. The liberationists contend further that the relationship between an M.N.C. and a public enterprise in an underdeveloped state is, inherently, one of unequal partnership characterized by the exploitation of the latter by the former. As Issa SHIVJI put it,

> *«The partnership (of a public corporation of an x underdeveloped nation) with foreign private capital results in the loss of control by the nation of its vital resources. The size of the economic surplus available for productive investment is critically reduced and the mode of utilization of the surplus is heavily biased in the interests of foreign capital. Technological development is minimal and the type of technology, including technical know-how is unsuited and not likely to expand the productive capacity of the economy. The net effect is that the public corporation, instead of being a vehicle of development becomes a vehicle of economic underdevelopment» (3).*

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The proponents of this viewpoint therefore, recommend that, for the African states to develop, they must, as a first step, disengage (or, as they put it, *liberate* themselves) from this exploitative relationship and, in future, refrain from entering into unequal partnerships.

In this paper, we shall draw examples from the Nigerian situation, as we examine critically these two contrasting viewpoints. In specific terms, we shall attempt to analyze the influences of multinational firms in the management of public enterprises in Nigeria.

But, first, it is necessary to understand the nature and *raison d'être* of both public enterprises and multinational corporations, as they operate in underdeveloped countries, in order to determine whether, in essence, they are complementary or mutually exclusive.

THE NATURE OF PUBLIC ENTERPRISES IN UNDERDEVELOPED STATES

Public enterprises are non-ministerial organizations either established or acquired, but in any case owned and/or controlled by the Government for the purpose of rendering specific services or producing goods either for the government itself or for the general public. They include public corporations operating public utilities such as the radio and the television which render services to the public at minimum cost, and others such as the electricity corporation, the coal corporation, the railways and the airways which are expected to break even while rendering services to the public at reasonable prices. Public enterprises also include commercial and industrial concerns such as state-owned or state-controlled industries, state banks and trading firms.

Public enterprises may be classified according to the degree of government control, into three main categories:

(a) those owned wholly by the government;
(b) those in which the government holds a majority (i.e. 51 % or above) of the equity shares;
(c) those in which the government holds a minority share but is, nevertheless, given a controlling voice on the board of directors.

One distinguishing feature of public enterprises in underdeveloped nations is that, although some of them may be required to make some profits or at least break even, for most of them, profit maximization is not their chief aim, let alone their *raison d'être*. In any case, the personnel of such enterprises – the managers and workers alike – do not easily conceive of the goal of the enterprises in terms of maximization of profits. Often the main reason for establishing, acquiring or controlling public enterprises may be because the services they render or the goods they produce constitute the main-stay or the commanding height of the national economy which must be wrested from the hands of foreign nationals and kept firmly under secure indigenous control and guidance. Other reasons include: the need to create employment opportunities for a swelling and restive population of school leavers, develop human skills, provide outlet for surplus revenue, render essential services and defuse explosive political situations arising from dissatisfaction with the performance of the Government ; and finally achieve self-sustained economic development. As we shall see, some of these aims stand in direct opposition to those of the multinational corporations.

THE NATURE OF MULTINATIONAL CORPORATIONS

Multinational corporations are foreign, private or public companies or corporations whose operations are distributed among two or more countries to a significant extent. Their distinguishing feature is that they have affiliates in a number of countries – and there is a substantial international dispersion of their assets. They generally have a string of subsidiaries bearing different names either in different countries or even in the same country; so that one may be dealing with a new subsidiary of an M.N.C. with which one had just severed a strained partnership without knowing it. Also, their share of industrial and commercial activities in different countries is large and most of them would be classified as large companies by any standard *(4)*. They are therefore able to spread the over-head costs of investigation of projects feasibility as well as research and development. At the same time, a loss that would seem colossal and disastrous to a public enterprise in an underdeveloped state may, to them, seem marginal or inconsequential.

Thus because of their size and world-wide operations M.N.Cs undoubtedly have capabilities which are often different from, and greater than those of more narrowly based firms. One important advantage they have is that they tend to take longer views of investment prospects and, more important, to have access to a wide range of information about marketing opportunities. For these reasons, in the field of manufacturing for a wide market in particulier, M.N.Cs may become powerful agent 'for organizing production and possibly trade in an efficient way especially from a global point of view. But then, the global productive efficiency of a multinational corporation may not equally bring benefits to all constituent countries' *(5)*. Thus, while they may be attractive partners of public enterprises in developed countries they can, at best, be only potentially beneficial to underdeveloped countries where markets may be restricted. And the sophisticated, labour-saving devices and production processes they employ may not be suitable for countries at lower levels of development.

Because of their desire to maintain effective control over their farflung economic empire, M.N.C's tend to adopt a different form of organization and control structure from firms of narrower scope. For instance, the decision-making structures and processes of a multinational corporation are global in scope and highly centralized. Such basic questions as expansion and contraction of investment, determination to produce or design certain products, purchase of equipment and other inputs locally or abroad, employment of expatriate or local personnel, exports to the world market and research and development activities are done by the firm's chief executives at the headquarters. This tendency to overcentralize runs against the general desire of the governments of underdeveloped countries to establish effective control over the key aspects of the national economy.

In making these far reaching decisions, the chief executives of multinational firms are guided, first and foremost, by the rule of profitability. Since, as we saw earlier, public enterprises in underdeveloped countries stress values which are not necessarily congruent with profit maximization, it follows that when multinational firms and local public corporations enter into partnership, that relationship becomes, inherently, one of conflict. Conflicts arise over three main issues : the degree of local content of goods produced, especially with respect to import-substitution industries ; the choice of technology and process of production – i.e. whether it should be capital/machine-intensive or labour-intensive ; and the extent and speed of indigenization of managerial personnel. Despite these inherent sources of conflict, however, partnerships have been, and continue to be formed between public enterprises in Africa and multinational corporations.

FORMS OF PARTNERSHIP BETWEEN MULTINATIONAL CORPORATIONS AND PUBLIC ENTERPRISES IN NIGERIA

Partnerships between multinational corporations and public enterprises in Nigeria take many forms. One of the commonest forms is where the Central Government, or the central or state/regional Governments, a public corporation or its subsidiary, or a public industrial/commercial company enters into equity participation and/or consultancy and management agreement with one or two multinationals firms for a stipulated period, with the M.N.Cs. owning only a minority share of the equity capital. An example of such partnership is the agreement between two British companies, the Tunnel Portland Cement (5.36 % of the equity capital), its consulting agents, F.L. SMITH and Co. Ltd. (5.36 %), the Commonwealth Corporation (10.72 %), the Federal Government (42.85 %), the former Eastern Nigerian Government (14.28 %), and the now defunct Eastern Nigerian Development Corporation (21.43 %). This partnership resulted in the establishment of the Nigerian Cement Company (NIGERCEM) in 1954 *(6)*. A more recent example of this form of partnership is the agreement between the Peugeot Automobile of France (owning 40 % of the share capital), the Federal Government of Nigeria (35 %), the former North Central State Government, the Nigerian Industrial Development Bank and some private Peugeot distributors (25 %). This agreement led to the establishment of the Peugeot Automobile of Nigeria (P.A.N.) which owns the Peugeot automobile assembly plant in Kaduna *(7)*. There is a similar agreement between the Volkswagen of Germany (holding 40 % of the shares), German financial institutions (11 %), the Federal Government (35 %), the Lagos State Government (4 %) and Nigerian distributors of Volkswagen (10 %). This led to the establishment of the Volkswagen plant in Lagos State

A related example is the partnership between a single state or regional government and a single multinational firm, for the establishment of a series of projects. Thus, in 1964, Coutinho Caro (Nigeria) Ltd., a subsidiary of the Coutinho Caro of Hamburg entered into partnership with the Midwestern Government to establish and manage three companies in the state, viz: a cement factory, a glass factory, and a textile factory.

This first kind of partnership is popular in Nigeria because it is assumed that where multinational firms are not simply managing agents or consultants on contract, but partners, having a stake in the performance of the local manufacturing company, they will become committed to the success of the company. This is why, even in some cases where a multinational firm is evidently reluctant to become involved in equity participation, the Nigerian partners insist that the M.N.C. should take up a share, no matter how negligible. This happened in the case of Coutinho Caro and the Midwest Government, for instance, where the German multinational subsidiary rejected participation beyond 10% on the flimsy ground that they were only general contractors and engineers and noted that it was merely to express the confidence and good will in the venture that they had, reluctantly accepted the 10 % equity participation.

A second kind of partnership which became common in Nigeria in the 1970s is where the local subsidiary of a multinational firm which was formerly owned wholly or in part by foreign nationals is forced to sell majority of its shares to either the Nigerian Government or both the Nigerian Government and the Nigerian Public. In such a case, the Government usually appoints a Board of Directors composed of government representatives and representatives of the M.N.C. to exercise supervisory control over the company. But the actual management of the company may still be left in the hands of representatives of the M.N.C. However, the company or enterprise is expected to operate in accordance with the Government's policy guidelines. Examples of such enterprises include the major oil companies operating in the country: Mobil Producing Nigeria Ltd., Shell Nigeria Ltd., Agip Nigeria Ltd., etc.. One way by which the Government establishes control over such companies is to designate members of the Board of Directors 'A' and 'B' directors, with indigenous directors designated 'A' directors and having, at least *de jure,* a controlling voice on the Board.

A third kind of partnership is where a number of multinational firms merely provide secured or unsecured loan to a Government department or development authority for the implementation of a specified project, and one of these multinational firms then receives the contract to manage the industry. An example is the partnership between the now dissolved Nigerian Steel Authority and a group of West German and Austrian Banks led by Deutsch Bank to finance the Warri Steel project which was placed under the management of a German firm, *Guttehoffnungshuette Sterkrode (8).* A variant of this is where a public corporation or the government, acting on its behalf, enters in a straightforward management contract with a foreign firm. In Nigeria, this has become an important form of partnership. Usually, the management agreement embraces consultancy, licensing and, sometimes, Marketing (Sales) and Purchasing Agreements. It provides for the supply of sophisticated equipment, training of indigenous personnel, general reorganization of the corporation, introduction of new methods of production and new technology, and other measures that might be taken to make the public enterprise generally viable. The duration of the agreement varies, and so does the remuneration of the managing agents which may take one or a combination of the following forms: salaries, allowances, royalty for patent, trade mark usuage, percentage of net sales or turn-over, percentage of profits, etc.. A prominent example of such a partnership is the techno-managerial contract signed in August 1978 between the Federal Government and the Rail India Technical and Economic Services (RITES). The agreement provided that a task force of RITES – comprising a 35-man management team plus 398 technicians and engineers – would manage the Nigeria Railway Corporation (N.R.C.) for three years for a contract (consultancy) fee of ₦ 4.8 million plus another sum of ₦ 10.9 million as salaries and wages. In addition, Nigeria would have to obtain a loan of ₦ 10 million from the International Bank for Reconstruction and Development to finance the purchase of spare parts and defray other expenses within the three years *(9)*. Similar agreements have also been reached between the Federal Government and Kopex Overseas Mine Construction Company of Poland to manage the Nigerian Coal Corporation, and with the Dutch (K.L.M.) airlines to manage the Nigeria Airways.

MULTINATIONAL CORPORATIONS AND THE MANAGEMENT OF PUBLIC ENTERPRISES

The influences of multinational corporations on the management of public enterprises in Nigeria may be examined in terms of their impact on the financial and personnel management of those enterprises as well as their effect on the attainment of certain specific development goals.

MULTINATIONALS, FINANCIAL RESOURCES AND FINANCIAL MANAGEMENT

By efficient financial management we refer simply to the effective control over the use of scarce financial resources and the efficient application of these resources to the advancement of the corporate goals of the enterprises. It includes both the ability to generate funds and the capacity to manage such funds in such a way as to achieve maximum goals at minimum cost.

The evidence of the influences of multionational corporations on the management of the financial resources of public enterprises is ambiguous. On the one hand, and as the *liberationists* would be quick to point out, partnership arrangements result, in the long run, in financial losses to public enterprises. On the other hand, public enterprises managed by multinational corporations seem to perform better than indigenously managed public enterprises in terms of aggregate profits.

Drawing from the experiences of Latin American States interacting with multinational firms based in the United States, it has been amply demonstrated that the «less developed countries end up exporting more funds than they receive». Thus, from 1950 to 1965 remittances of income to U.S. parent companies exceeded net private investment by $ 7.5 billion *(10)*. Although this process of decapitalization which is said to mature after very many years of private investment may not have reached such an advanced state in Nigeria where the net inflow still outstrips the net outflow, it has at least already been set in motion. Between 1967 and 1973, out of a gross inflow of private capital totalling ₦ 2.1 billion only ₦ 1.03 billion or 48.7 % was retained in Nigeria. The outflow was ₦ 1.085 billion or 51.3 %. This means that out of every two naira that is invested in Nigeria, more than one naira leaves the country. As is shown below, there are many methods by which multinational corporations in partnership with Nigerian public enterprises milk them of precious investment capital.

Flow of Foreign Private Capital
To and from Nigeria, 1967/1973

Year	Net Flow as % of Gross inflow	Inflow (₦ million)	Outflow (₦ million)	Net Flow (₦ million)
1967	40.56	107.0	63.6	+43.4
1968	68.6	106.4	33.4	+73.0
1969	20.98	150.6	119.0	+31.6
1970	48.45	251.0	129.4	+121.6
1971	65.3	489.6	170.0	+319.6
1972	57.37	432.8	184.5	+248.3
1973	33.33	577.8	385.2	+192.6
TOTAL	48.7	2,115.2	1.085.1	1,030.1
AVERAGE		302.17	155.0	147.16

SOURCE : Adapted from Y. R. BARONGO, «The Political Economy of Foreign Private Investment in Nigeria»: *Paper presented at the Seventh Annual Convention of the Nigerian Political Science Association held at the University of Port Harcourt Nigeria, 25–28 March, 1980 – p. 7.*

One of the methods used is the manipulation of the equity share arrangement. A main source of finance for public enterprises in partnership with M.N.Cs is the equity share method. But this method, if not carefully handled, may create loopholes through which unscrupulous multinational firms could drain the country of its financial resources. Some M.N.Cs which, probably, never intended in the first place to contribute to the finances of the public enterprise may devise devious means by which the local partner pays up both its own percentage of the share capital and that of the foreign partner. One strategy is to plead unforseen increases in the cost of equipment and other inputs and on that basis demand that the share capital be doubled or trebled. The unsuspecting local partners, having already made a substantial initial investment, throws in more money to meet its increased liability and ensure that the initial capital outlay would not be a waste. In the 1970s, Nigeria had such an experience with an European based M.N.C. which entered into a ₦ 2 million partnership agreement with the Federal Government to prosecute a project aimed at «reinforcing the ability of the country to produce food». But the M.N.C., through a combination of guile and blandishments, got the Federal Government to pay the full share capital of ₦ 2 million, which had on paper been increased to ₦ 4 million without, apparently, fulfilling its own financial obligation involving the provision of 50 % of the share capital *(11)*. Alternatively, the multinational firm may abandon its local partners when the going becomes tough and leave it to bear a disproportionate percentage of the risks which both parties had earlier agreed to share more equitably. This seems to have happened in the case of the joint venture between the Borno State Government and a European based multionational firm. Both had agreed to enter into partnership for the running of a shoe manufacturing and leather tanning complex. Work was expected to start on the project in 1974; but up until 1979, the shoe factory had not yet been completed, let alone going into operation. Meanwhile, in 1977, the European partner who held 30% of the share and was to provide the technical and managerial expertise withdrew. After paying ₦ 210,000 as part of its capital, the multinational firm refused to make further payments although the share capital had increased from ₦ 700,000 to ₦ 1,000,000. By 1979, the Borno State Government had put in a total of ₦ 4,250,007.80 in the venture; and it was estimated that an additional sum of ₦ 4,617,398 would be needed to get the proposed sophisticated shoe factory off the ground *(12)*.

Clearly then, not all foreign firms are willing to provide the initial capital needed to finance a new project or to share the risk involved in starting such a project in an underdeveloped country. But then all of them are anxious to enjoy the profits that may accrue.

A commoner method by which M.N.Cs siphon funds away from public enterprises is by supplying to their local partners or the joint enterprises obsolescent machinery which break down rather often. In some cases, the models of the machinery supplied may be so old that their spare parts cannot be easily secured even from those countries which manufactured the machinery. This was the kind of problem faced by Aba Textile Mill (Abatex).

Before the Nigerian civil war, Aba Textile Mill was owned by the former Eastern regional government (30%) and an American firm, Indian Head Incorporated, Massachussetts (79%). Later the 70% share of Indian Head was transferred to United States Agency for International Development. After the Nigerian civil war, the Federal Government bought over the share of U.S.A.I.D. As soon as the Nigerian government took full control of the company, it was then realized that the machinery recovered from the factory after the civil war were old and obsolete. It was also discovered that there was still a balance of $ 1.2 million to be repaid:

this was part of a $ 2 million loan secured from the U.S. Export-Import (Exim) Bank in 1964. This credit, together with its interest, was converted into a loan at 6% interest. In addition, the *Exim* bank extended another loan of ₦ 4.80 million at 6% interest to Aba Textiles on condition that this would be used to purchase American made machinery. Abatex accepted this condition. But then, again, the Americans sold an obsolescent model of machinery to Abatex; what was worse, the spare parts of the newly purchased machinery could not be obtained unless they were placed on special orders.

The effects on Abatex, of the disruption of production and rise in production costs arising from the payment of loans, paying for the specially ordered spare parts and generally maintaining the obsolescent machinery were that : (1) the factory's production efficiency declined from 70% in 1971 to 27% in 1975 . (2) the volume of total sales decreased from 69% in 1971 to 29% in 1973; (3) the company's financial losses shot up from $ 654,000 in 1971 to ₦ 2.8 million in 1974; (4) the ratio of debts to equity capital increased from 2:1 in 1971 to 5:1 in 1974 *(13)*. Moreover, the meagre financial resources of the company were wasted in servicing debts; consequently, the company could not even carry out its primary function which was the manufacture of printed cotton.

One of the main reasons why public enterprises, in partnership with multinational companies, find themselves in such a predicament is that the official representatives of the underdeveloped countries often hastily enter into management and partnership agreements without undertaking thorough and systematic pre-investment feasibility studies, taking steps to inspect the condition and cost of the machinery being imported or transferred, and working out fool-proof measures for checking other exploitative practices of MNCs.

A cogent illustration of this point may be taken from the experience of Estavision and Sound (Nigeria) Ltd., which was established by the former East Central State Government. As the Government White Paper on the Report of the Board of Inquiry into Estavision and Sound (Nigeria) Ltd. observed, before the company was established:

> *«There were no feasibility studies undertaken to determine the desirability or otherwise of embarking on the venture. And there were no manifest political, economic or social considerations which gave rise to the establishment of Estavision and Sound (Nigeria) Ltd.» (14).*

Rather what seemed to have happened was that some representatives of the East Central Government were persuaded by representatives of a foreign firm, Salora OY of Finland, to visit Finland, in order to tour their factories and discuss the possibility of setting up a television assembly plant in Enugu, Nigeria. As a result three representatives of the government travelled to Finland and, on their return, submitted a report. On the basis of this report, «an agreement was entered into between the East Central State Government and Salora OY for the setting up of an Assembly Plant to assemble black and white TV (Salora) sets» *(15)*.

This unequal partnership, while benefitting Salora OY tremendously, constituted a source of serious exploitation of the East Central State Government and people. The agreement provided that the Finnish firm should be paid a lump sum of $ 30,000 for providing the 'know-how' even though Nigerian technicians sent to Finland to understudy the Finns did not in fact acquire any 'know-how'; nor was any secret design passed on to the Nigerian company as a result of the agreement. Worse still, the agreement also provided that royalties of $ 40,000 should be paid by Estavision to Salora OY before october 1974 even though production was not expected to start then. And from 1975 when production was expected to begin, and a production rate of 10,000 sets per year was projected, Estavision would pay the Finnish Company royalties of $ 4 per unit produced and $ 4 per unit sold. Then from 1976, Estavision would pay Salora OY a minimum of $ 35,000 annually as royalties whether or not there was any production. In addition, all the products would bear the brand name of Salora. All this meant that if Estavision, the Nigerian Company, was able to start production and meet its annual targets, Salora OY would benefit handsomely from the financial charges on every set produced whether or not they were sold. If they were sold, the financial benefits accruing to Salora OY would increase. If, on the other hand, there was no production and no sale, Salora OY would continue to receive its fixed royalties. Besides, the Finnish Company would benefit from the extended market and the free advertisment on their product in Nigeria without making any substantial contribution to the development of either Nigerian television technology in particular or the Nigerian economy in general.

In the event, between March 1975 when production was begun and February 1976 when an inquiry was conducted into the affairs of the company, only 90 Black and White TV Sets were assembled in Enugu. But Estavision imported 138 sets from Salora OY, Finland. To advertise both the home-assembled and the foreign-made sets, Estavision (Nigeria) Ltd., spent ₦ 5,120 of public money. But out of the 228 sets only 53 were sold at a total price of ₦ 18,160; of these, only 15 sold at ₦ 6,328 belonged to the Local Company.

It is difficult to understand the justification for the establishment of Estavision. At the time it was established, unemployment was one of the greatest socio-economic problems of the East Central State. But Estavision was not such an establishment as could help to substantially reduce the level of unemployment. Between 1975 and 1976 only 43 Nigerians were given regular employment in the company. In 1977, the Company offered employment to only 55 persons. Its product was not such as to meet the basic needs of the people; nor could the establishment of the company be justified in terms of serving the interests of even the elites who obviously preferred to buy foreign made television sets anyway. In short, as the *Government White Paper on the Report of the Board of Inquiry into Estavision* rightly pointed out, «there were no manifest political, economic or social considerations which gave rise to the establishment of Estavision and Sound (Nigeria) Limited» *(16)*.

There is yet another devise used by M.N.Cs to exploit those public enterprises with which they are associated and drain them of vital funds. Multinational Corporations tend to inflate the prices of the capital goods which they supply to their partners in developing countries; they also tend to insist on crippling terms for repayments of suppliers' credits. Sometimes, all this is done, if not with the positive encouragement of the official representatives of the government of the African state entering into partnership, at least with their deliberate connivance. An illustration may be drawn from the partnership of Coutinho Caro (Nigeria) Limited with the Mid-West Government. As noted above, in 1964, Coutinho Caro (Nigeria) Ltd., a subsidiary of Coutinho Caro of Hamburg and a Company in which a relative of a Federal Finance Minister had a share, entered into partnership with the Midwest Government for the establishment and management of three industries – textile, glass and cement – at a total cost of ₦ 19.46 million. Coutinho Caro was to own 10% of the shares, provide some credit, supply the plants, machinery, equipment and 'know-how' and also provide the management for the industries. With the connivance of some members of the State Government, and probable active encouragement of a former Federal Finance Minister, Chief Festus OKOTIE-EBOH, Coutinho Caro agreed to top 10% on the actual cost of the industries. In actual fact, Coutinho Caro inflated the cost of the industries by between 30% and 40%. In addition, the Midwest Government was obliged to make an initial down payment of ₦ 1,400,000 in 1964 and between then and 1968 to make annual instalmental repayments ranging from ₦ 1,243,000 to ₦ 2,132,000. The repayments were to be completed in the year that production would start – that is in 1967/68 *(17)*. This meant that should production fail to start on schedule, or to start at all, Coutinho Caro would not be seriously affected since it shall have, by then, recovered its loan plus the interest. No wonder the company was reluctant to accept some shares. The exploitative motive of the Company was also demonstrated by the facts that : (a) it did not undertake any feasibility studies with respect to availability of raw materials, strength of potential effective demand for the products, availability of electric power and the general viability of the projects before the partnership agreement was signed ; (b) it refused to break-down the cost of machinery from that of the 'know-how' ; (c) it rejected suggestions that independent experts should be appointed to evaluate the cost of the machinery it supplied; (d) it rejected a proposed clause in the partnership agreements requiring that the Mid-West Government would not start the repayment of loans until six-months after the commencement of production ; (e) the Nigerian subsidiary did not get its Hamburg-based parent company to sign the partnership agreements thus limiting its liability to only ₦ 20,000 which was its total fully paid share capital in Nigeria *(18)*.

From the experiences of Nigeria in dealing with multionational firms, it is therefore clear that not all of them are interested in promoting the financial health of those enterprises with which they are associated. While it is true that, generally, M.N.Cs are profit-oriented organizations, when in partnership with public enterprises in developing countries, they perceive profit-maximazation in terms of exploiting their local partners. Thus while the M.N.Cs may benefit financially, the public enterprises which they run continue to suffer serious financial losses partly because the M.N.Cs employ a number of devices to siphon funds away from these enterprises. A number of other methods used by M.N.C's to drain their local partners of their financial resources may be mentioned briefly. These include : (a) manipulating the accounting procedures of the local enterprises which they manage: this may take the form of *either* increasing apparent profits and therefore illegally repatriating capital where a ceiling is placed on the percentage of capital to be repatriated *or* artificially increasing the turnover, by engaging in extra-curricula contract jobs even when this involves aggregate loss for the public enterprise – this device is used where consultancy fee is charged on turnover. (b) manipulating intercorporate prices by multinationals, over-invoicing and other devices which help to boost the repatriable profits of the M.N.C.

As a counter to the liberationist view presented above, the liberals would quickly point out that, despite their exploitative tendencies, public enterprises managed by M.N.Cs still perform much better than those managed by indigenous personnel when both are compared in terms of profitability. Illustrations of indigenously managed public enterprises that were in a position to make profits but failed to do so may be taken from the experiences of:

(i) the Nigerian Construction and Furniture Company (N.C.F.C.).
(ii) the Golden Guinea Breweries.

THE N.C.F.C.

Established in 1960 as a joint venture between the Eastern Nigerian Development Corporation and Solel Bonch, an Israeli Company, the N.C.F.C. was taken over by the East Central State Government after the Nigerian civil war. It carried out civil engineering construction contract jobs, and built hard and soft furniture. From 1970 when it was rehabilitated – from civil war damages – to 1974, its turnover both from contract jobs and furniture sales was on a steady increase. But the profits of the company remained insignificant; in fact,they were generally on the decline. Thus, during the period 1970–71, the company made a net profit of only ₦ 23,886 on a total turnover of ₦ 846,872 – that is a profit of 2.8% on the turnover.

In the 1971–72 financial year, the profit climbed to ₦ 99,384 (or 4.8% of the turnover). But, in 1973 when the turnover increased by 62%, i.e. from ₦ 2,086,306 in 1971/72 to ₦ 3,380,350 in 1972/73, the profit declined to the meagre sum of ₦ 27,906 or 0.8% of the turnover. Similarly, in 1974 when the turnover increased to the huge sum of ₦ 5,237,628, the profit recorded was the insignificant sum of ₦ 21,391 or 0.4% of the turnover. On the whole, between 1970 and 1974, a period when private small-scale cabinet workshops recorded an average net profit of 15%, the N.C.F.C., a giant mechanized furniture and construction complex, has an average net profit of merely 2.2%. Indeed, the performance of its huge mechanized furniture factory alone was so appalling that it actually sustained losses of ₦ 17,967 in 1970/71 and ₦ 46,748 in 1973/74. Between

Table I. – NCFC's performance, 1970–1974: The construction and furniture section combined

Accounting Period	Value of work executed/Value of Sales (₦)	Actual profit after charging overhead and adjusting for loss of plant (₦)	Actual profit in % of turnover from Sales and Contracts (%)
15th jan. 1970 to 31st march, 1971	846,672	23,886	2.8
Year ended 31st march, 1972	2,086,306	99,384	4.8
Year ended 31st march, 1973	3,380,350	27,906	0.8
Year ended 31st march, 1974	5,237,628	21,391	0.4
Total	Average annual turnover 2,887,739	Average annual profit 43,141.75	Average % profit 2.2
Total	(₦) 11,550,956	(₦) 172,567	

Source: Adapted from the *Report of the Administrative Board of Inquiry into the Activities of the Nigerian Construction* and Furniture Company Ltd. (Enugu Government Printer, 1976), p. 10.

1970 and 1974, the furniture section alone recorded a total loss of ₦ 53,985. Not surprisingly, by March, 1974, N.C.F.C.'s total liabilities exceeded its current assets by as much as ₦ 966,927 *(19)*.

The poor financial performance of the N.C.F.C., as reflected in its low profit margin, may be attributed to a number of factors; but most of them centre around the utter indifference shown by the managers of the company to its profitability. As a result of this attitude, theft of the company's materials and even finished products was common and could not be checked either by the company's managers or by government officials, some of whom were culprits or collaborators. A former manager of the company, for example, was known to have carted away, illegally, tonnes of the furniture company's finished products to his private furniture-selling company. He was merely asked to resign! Similarly, a former site engineer of the company used, free of cost to himself, materials and labour belonging to the company to build a house, thus causing N.C.F.C. to lose ₦ 40,000 *(20)*. Furthermore, in dealing with contracts on jobs for members of senior staff, Board Directors, some Commissioners and other top officials of the former East Central State Government, no proper costing of the work done was undertaken. Indeed such jobs were treated as 'favours' to persons in high office. And furniture was sold to them at almost factory cost. As a result, the company lost very large sums of money. Thus, a total of ₦ 141,367 was lost by N.C.F.C. in building houses for top officials of the company; and through underquotation, the company lost another huge sum of ₦ 151, 845 on one road contract job *(21)*. It is interesting to note that favours granted, at the expense of the company, to top company and government officials were regarded as part of a public relations effort. But the effort was directed, not at keeping the company, as a corporate entity, in business, but at keeping certain officials of the company in their elevated positions.

Another reason why N.C.F.C. failed badly in terms of profitability was simply because it was unable to compete on equal terms with subsidiaries of multinational firms vying for the same contract jobs with it. A major handicap was the lack of adequate number of the necessary modern equipment required to perform important construction jobs efficiently *(20)* Other problems included lack of qualified indigenous staff, inadequate funds and, ironically, its position as a company owned by a state Government in the Federation of Nigeria.

THE GOLDEN GUINEA BREWERIES LTD.

On the face of it, the story of Golden Guinea, with respect to profit-making, provides a reassuring contrast to that of the N.C.F.C. Indeed, the Golden Guinea Breweries owned by the Governments of Imo and Anambra states has been described as the first brewery in «all Africa profitably managed by an all-black personnel» *(23)*. The account of the company is said to have shown «a steady and increasing buoyancy from a reported loss of ₦ 12,642 in 1971 to a healthy unaudited profit of ₦ 800,000 in 1975». And, from its own resources, the company was able to make repayments and refund of loans to the tune of an estimated ₦ 9 million since it was reactivated. But a closer look at the company's performance shows that it has not, in fact, fared much better than the N.C.F.C. As a white paper published jointly by the Governments of Imo and Anambra states put it,

> *«unorthodox, ill-advised and shady financial arrangement through wrong indents, poor and irrational (and arbitrarily awarded) contracts and orders... cost the company about ₦ 705,000 which could otherwise have been avoided through more cost-conscious management, proper financial planning and standard budgetary control» (24).*

As a result of poor financial and personnel management, ineffective and chaotic distribution pattern, deliberate misuse and diversion to unofficial sources of companies products and property, as well as the uncompetitive quantity and occasional poor standard rating of the company's finished products *(25)*, Golden Guinea's financial position was, in fact, far from buoyant during the period reviewed by the Board of Inquiry. In 1975, its 'current liabilities far exceeded the current assets, rendering precarious the liquidity potentials of the company'. Among the causes of its poor financial state were: (a) *official corruption:* for instance an official of the company awarded a contract to foreign firm for the supply of 2,160,000 empty bottles at 24k per bottle instead of purchasing them locally at 7k per bottle; as a result, the company sustained a loss of ₦ 367,200. It also sustained some loss as a result of its purchase of hop and roasted malt from a German company which failed to grant the Breweries any rebate; (b) the tendency of the managing director to act without consulting either the Board of Directors or the other members of the management staff ; (c) the lack of effective and sustained in-service training for staff, especially all categories of the sales staff ; this adversely affected morale and was reflected in the ineffective distribution pattern, and the defective sales promotion tactics which became «hollow in content and form» *(25).*

It is safe to assume that these two cases are fairly representative of the performance of profit-oriented public enterprises managed by indigenous personnel in Nigeria. Although there may be a few that have consistently recorded profits most of them operate at a loss most of the time. From a study of their history, certain facts relating to their financial management have emerged. It is evident that, in Nigerian public enterprises, funds are spent without due regard for established practice and norms which are regarded as inviolate either in the civil service or by commercial and industrial concerns operating in the private sector. Apparently, some managers of public enterprises mistakenly identify speed in operation with neglect of set down procedures for handling corporate finances. And the accountants of these enterprises are either too weak to stand up to authoritarian General Managers or Managing Directors as well as influential members of the public, too incompetent to handle effectively the accounts of public enterprises or simply too indifferent and corrupt to worry about the proper use of the company's finances.

A liberal would insist that, unlike public enterprises run by indigenous personnel, those managed by multionational firms generate a lot of revenue which could be used not only for running them but also in developing other aspects of the economy. Take Mobile Producing Nigeria, Ltd., for example. It was incorporated in Nigeria in 1969, started production in 1970 and became a Nigerian owned company in 1974 as a result of the Federal Government 55 % equity participation. In 1971, its profit was ₦ 102,8 million; this rose to a peak of ₦ 375.1 million between 1975 and 1977 when the average annual profit was ₦ 343.6 million *(27).* This record contrasts coldly with that of the N.C.F.C. which, in 1971 (after 11 years of existence) recorded a loss of ₦ 17,967, and also with the record of the Nigeria Railway Corporation (another indigenously managed company) which, in 1977, had to be given a government subsidy of ₦ 38.3 million to make up for the deficit which it incurred in the course of its operations.

However, in answer to this point, three observations may be made. First, it should be noted that much of the revenue generated by a profit-making M.N.C. may find its way, not into the host government's coffers, but into the hands of the subsidiaries of the M.N.C. also operating inside the country. As Professor NZIMIRO has shown, in 1966, the oil companies operating in Nigeria generated revenue totalling ₦ 124.4 million. But of this amount, only ₦ 37.6 million or 30.2 % went to the Nigerian Government.

As much as ₦ 52.2 million or approximatively 42% went to contracting firms which were either subsidiaries of, or associated with the oil companies *(28)*. Secondly, it should be pointed out that not all public enterprises managed by M.N.Cs make profits; indeed, some are known to be operating at a loss. For instance, as Mr. IGE, Chairman of Volkswagen (Nigeria) Limited has revealed, the best of the vehicle assembly plants in Nigeria is 'just managing to keep its head above water while the worst is merely piling up losses year after year' *(29)*. Thirdly, even those which make profit may still gobble up much of it by way of purchase of more sophisticated and therefore more expensive (labour-saving and so unemployment-creating) equipment and employment of more expatriate personnel.

On balance, it is fair to conclude that multinational firms do not necessarily have a better record of applying the finances generated by public enterprises toward the further development of such enterprises. If indigenous managers of public enterprises are reckless and carefree in handling corporate finances, it is partly because they consider it normal to offer financial rewards and kickbacks to gain market advantage since the giant M.N.Cs like Lockheed, Leyland, International Telephone and Telecommunications, etc. also do so. With respect to financial management, therefore, there is really little to choose between public enterprises managed by indigenous personnel and those managed by M.N.Cs. In some respects, those managed by indigenous personnel are preferable since much of the funds lost by them through official corruption, generous gifts to Ministers or payment of wages to unproductive personnel is still retained in the economy. Thus such practices merely represent an inequitable distribution of the revenue of, or the income earned by, public enterprises. On the other hand, money lost to M.N.Cs represent a net loss to the economy.

It could, of course, be argued, and it has indeed been contended, that multinational corporations «could be making excessive profits and repatriating more capital than they (originally) invested and still contribute significantly to the economic growth of less developed countries». The point stressed is that if the 'organizational and technical know-how they contribute serves as the spark to the industrialization process', then departure of capital is not an unreasonable price to pay *(30)*. It is therefore necessary to assess the contribution of the M.N.Cs in Nigeria with respect to these intangibles which come under the broad rubric of personnel management since it is more in this area than in the transfer of capital that the primary utility of cooperation with M.N.Cs is said to lie.

MULTINATIONAL CORPORATIONS AND PERSONNEL MANAGEMENT

Personnel management refers to the measures and procedures designed to mobilize the human resources of an organization toward an efficient *(31)* attainment of corporate goals. It includes measures aimed at improving the ability and skill of the individual to perform his job as well as methods used to motivate him to apply his ability or skill to increase productivity and advance other goals of the organization.

MOTIVATION

With respect to *motivation,* a key concept in personnel management, three different approaches may be distinguished: the paternalistic approach, the scientific management approach and the participative management approach. The *paternalistic approach* involves the institution of measures designed to satisfy the employees' general material needs and to instill in them a general feeling of gratitude and loyalty to the organization. In contrast, the *scientific management* approach entails attempts to link rewards and punishment strictly and directly to excellent and poor performance respectively. It therefore involves the setting of standards or clearly and precisely defined measures of performance and criteria for the allocation of rewards and punishment. Then there is the *participative management* approach which emphasizes effective participation of the workers in the decision-making processes of the organization.

Multinational corporations tend to apply a combination of parternalistic management and scientific management approaches with the accent on the former. They try to ensure that the general material needs of the indigenous employees are satisfied, but they do their best to exclude even the top management indigenous personnel from the top level decision-making structures and processes. This fact was revealed in Nigeria during a recent dispute between the eight Nigerian managers of AGIP(Nigeria) Ltd., and the Italian Managing Director of the Company, Mr. G. MAZZI. The frustrated Nigerian managers disclosed that: (i) the Managing Director generally excluded Nigerian Heads of Departments in the company from the process of formulating «management decisions»; (ii) budgets were prepared without the participation of the Nigerian Department Heads; and (iii) the Managing Director was the sole signatory to the company's accounts, so that whenever he was not available the company's operations would suffer unnecessary delay. However, these indigenous, *sinecure* managers are kept quiescent and loyal to the company by offers of fantastic salary and wage rises. Thus, the salaries of the Nigerian managers at *AGIP* are said to range from ₦ 19,000 to ₦ 26,000 per annum. One manager's salary was raised from ₦ 9,000 to ₦ 19,000 within a year; another, from ₦ 10,000 to ₦ 26,000 within six years *(32)*. Such salary scales are beyond the wildest dreams of even the highest paid public servants in Nigeria: the Vice-Chancellors of Nigerian Universities and the super permanent secretaries, for instance, are on salary GL 17 – that is ₦ 12,996 X 636 –₦ 17,448. The attraction of these multionational companies which offer such fantastic salary scales is therefore almost irresistible for Nigeria's top management personnel.

However, while the general offer of monetary incentives, in the form of high salaries not directly linked with productivity, may keep workers docile and loyal to their employers, it may not necessarily be reflected in increased production nor may it, ultimately, bring lasting satisfaction to the workers. Indeed, the case of AGIP cited above shows that for top management personnel, monetary incentive is no substitute for effective participation in the decision-making processes of the company.

Besides, this instrument of motivation is ineffecient because salary increases do not, in themselves, guarantee industrial peace and stable industrial relations. For Nigerian managers tend to compare their wages – no matter how generous – not with those of their less fortunate countrymen, but with the more generous remunerations of their expatriate counterparts in the same industry; and whenever they consider the income gap inequitable or unjustifiable, they are bound to feel dissatisfied and their dissatisfaction may, sooner or later, find expression, in industrial unrest. In any case, it would be unrealistic to expect that this instrument of motivation could be applied in public corporations(or even all public commercial enterprises) even when they are managed by multinational firms. For one thing, the Nigerian Government has harmonized the wages of Nigerians working in the public sector and the salary scales of persons employed in public utilities have to follow government guidelines. For another, not every public commercial enterprise can afford huge salary increases or large expenditures on personal emoluments. For these reasons, the paternalistic approach adopted by the local subsidiaries of giant multinational firms operating in Nigeria is unsuitable for public enterprises in Nigeria. Indeed, to the extent that M.N.Cs continue to use monetary incentives as the main motivational variable, especially when they are not directly linked to performance, they serve as unhealthy emulatory reference points for both indigenously managed and other foreign managed public enterprises in Nigeria. Of course, where the technical hurdles relating to the measurement of performance and the precise relation of reward and punishment can be overcome, the scientific management approach is a lesser evil – even where it is based primarily on monetary incentives as well.

ORGANIZATIONAL STRUCTURES

It should be noted that the neglect by M.N.Cs, of worker participation as an instrument of motivation is not mere error of policy. Rather it is a direct product of the organizational structure which M.N.Cs generally favour. The limited liability company type of organizational structure which the M.N.Cs have introduced in the states of the Third World limits worker participation, dampens motivation and ultimately generates industrial unrest. But the M.N.Cs prefer it because it corresponds to their elitist philosophy of management.

TRAINING OF HIGH LEVEL MANPOWER

The introduction of measures designed to improve the skill and ability of the individual to do this job more efficiently and effectively is another important aspect of personnel management. One of the principal arguments of the protagonists of partnership between M.N.Cs and public enterprises is that such cooperation helps the underdeveloped country to have its high-level manpower trained. The M.N.Cs are said to be particularly well-suited for the task of developing an industrial work force or improving the quality of human resource and thereby oiling 'the engines of progress' in less developed countries because they have the 'know-how personnel and experience required to do so'. Where this function is fulfilled, it will greatly improve the overall efficiency of public enterprises since it is known that public enterprises in underdeveloped countries operate at low levels of efficiency primarily because they suffer from low levels of skill and industrial experience *(33)*.

However, the record of multionational corporations in importing the requisite skill and industrial skill to the personnel of public enterprises in underdeveloped states has been far from satisfactory. Even where the government of a less developed state gives clear and mandatory guidelines for the training of the indigenous personnel, some multinational firms still drag their feet. For instance, in 1969, the Federal Military Government of Nigeria issued a new petroleum decree directing that oil companies operating in Nigeria must guarantee that, within ten years of their operation, Nigerians would occupy at least 75% of the total managerial, professional and supervisory positions and that all skilled and unskilled workers at the lower level must be Nigerians. But the oil companies did not seem anxious to carry out the provisions of the decree. Take Mobil Producing (Nigeria) Ltd., for instance, nine years after – that is, by 1978 – its managerial staff remained predominantly (77.8%) expatriate: also 42.2% of its professional staff were still expatriates. It was only in the supervisory grades and at the lower cadre of semi-skilled and unskilled staff that the company was able to meet the provisions of the petroleum decree. Part of the difficulty of replacing expatriate with indigenous staff lay in the absence of qualified (i.e. skilled and experienced) top management staff – a general Nigerian problem. But the slow rate of Nigerianization in Mobil was also due to inadequate provisions for the training of management staff. Between 1969 and 1978 only 67 staff of the management and professional cadres were trained *(34)*.

The story about the rate of indigenization of management personnel is not much different with respect to other public enterprises managed by multionational firms. Concerning the Vehicle Assembly Plants, for instance, it has been observed that the training of Nigerians has been virtually confined to the production of tradesmen: with the high level of expatriate quota granted to them, «there has been little or no inducement on the part of the management staff to exert themselves to find and prepare indigenous personnel to take charge of the company's departments as soon as possible» *(35)*.

Besides the fact that M.N.Cs impart to Nigerians, by both example and precept, personnel management theories and practice that are clearly unsuitable for the efficient operation of public enterprises in Nigeria, impose organizational structures that stifle initiative, alienate workers from the enterprise and create conditions for recurrent labours crises, they also introduce a culture of bribery and corruption which reinforces similar tendencies in the indigenous management personnel. The readiness of multinational corporations to offer brides and expensive «commissions» as an instrument of securing contracts in developing countries is well known. But such corrupt practices thrive because of the existence of collaborators within the developing countries themselves. Indeed, in some cases, it is known that officials or political leaders of the developing countries themselves take the initiative to demand inducements. Two examples drawn from the experience of Nigeria under both the first civilian administration and the successor military regime will serve to illustrate the point.

The first example, below, illustrates how the corrupting influence of a multinational firm led to a considerable loss of public funds by a public enterprise. The Central Trading Agency (C.T.A.) of the East Central State of Nigeria was, in the mid-1970s, entrusted with the sum of ₦ 1.8 million which was earmarked for the supply of vehicles to teachers *(36)*. But, with an offer of $ 52,500 as 'commission', the assistant General Manager of the C.T.A. was persuaded to invest a substantial proportion of the money (₦ 1.5 million) to import rods from a German-based multinational firm, FIMACO, for resale in Nigeria. Without conducting a market survey to determine the types and sizes of rods which were in demand in the Nigerian market at the time; without making adequate arrangements for the clearing and evacuation of the rods when they arrived at the congested Nigerian ports, without ensuring that competent and experienced personnel would be at hand to manage the sale of the rods, the Nigerian official unwisely embarked on this unplanned project. As a result, he incurred for his company a liability of ₦ 497,351.14. This turned a profit of ₦ 100,638.32 which the C.T.A. had made on other transactions into a net loss of ₦ 396,892.82.

The second case shows that, sometimes, the demand for kick-back may come from the indigenous representatives of public enterprises located in a developing country. But the effect is usually also harmful for the enterprises concerned. This case refers to the arrangement made in 1964, already cited above, for the establishment, in Bendel State, of three industries: the Ukpilla Cement Factory, the Asaba Textile Mill and the Ughelli Glass Factory *(37)*. Contacts were first made between the Mid-West interim administration under Chief Dennis OSADEBAY and Rheinstahl Industrie Planung of Western Germany. Rheinstahl offered fairly attractive terms for helping to establish the industries but resisted suggestions by the Federal Finance Minister, the late Chief OKOTIE-EBOH, acting on behalf of the Mid-West Government, to top 10 % on the contract value. As a result, Rheinstahl, which had already on its own conducted feasibility studies, lost the contract to a less competent firm, Coutinho Caro of Nigeria Ltd. Coutinho Caro offered less attractive terms than Rheinstahl, but it was preferred because it was willing to top 10 % on the value of the industries, thus swelling both the private purses of some Mid-West political leaders and the coffers of their political party, the National Convention of Nigerian Citizens.

This corrupt deal had a number of deleterious consequences for the people and government of the Mid-West. The first consequence was the resultant financial loss already discussed above. Secondly, the Government of the Mid-West lost the moral courage and basis to insist on thorough and efficient performance by their foreign partners. Thirdly, because of the haste to sign the contract with the collaborating foreign firm before too many questions could be raised, no thorough feasibility survey could be undertaken. As a result a number of problems remained unresolved; e.g. whether the necessary raw materials were available in sufficient quantity in the locality proposed for the establishment of the industries; whether there was wide enough local market for the products of the industries; whether the projects would be viable with or without incentives such as tariff protection or tax holiday; how much employment they would generate; how soon the projects would be in production, etc. Fourthly, again because of the haste, there was little time to check out the foreign partner thoroughly to ensure that it could bear the risks it had undertaken and was generally in a position to fulfill the terms of the agreement.

In the light of the two examples cited above, the question could of course be posed: who corrupts whom? The answer cannot be a straightforward one. The point to note is that by introducing capitalist norms, values and ethics – by making personal wealth and its private accumulation the purpose of work and the main incentive for national development efforts – the multinational corporations provide the structure and create the environment in which corruption germinates and thrives *(38)*. In such a situation, the question of who corrupts whom becomes irrelevant.

Perhaps far more important than the influences of multinational corporations on the financial and personnel management of public enterprises is their effect on certain important development objectives such as creating more employment opportunities and raising the degree of the local content of the goods produced.

MULTINATIONAL CORPORATIONS AND THE CREATION OF EMPLOYMENT OPPORTUNITIES

Multinational firms operating in less developed countries tend to favour the methods of production that are used at the headquarters, and these are generally capital-intensive. Because of this, multinational corporations tend to contribute little in the way of reducing unemployment which is a major problem in developing countries. A few examples will illustrate this point. In 1972, total employment in petroleum exploration, refining and marketing – an area dominated by multinational corporations – was just 14,077 *(39)*. In 1976, the Shell-BP (now African Petroleum) had a total staff strength of just over 3,270 *(40)*. But an indigenous company, with a much smaller capital outlay, like the Nigerian Construction and Furniture Company employed as many as 5,000 persons in 1977 *(41)*. It could of course be argued that the number of employment opportunities which a firm creates is directly related to the kind of productive activity in which it is engaged. In other words, some types of productive activities require the employment of more staff than others. While this is generally true, it can be demonstrated that indigenous personnel managing a public enterprise show greater sensitivity to the retention of a large number of people in employment than foreign managers. Thus, it was not until August 1978 when the Federal Government signed a techno-managerial contract with Rail India Technical and Economic Services (RITES) that 885 workers of Nigerian Railways were laid off. Although this action was taken on the recommendation of a special manpower committee set up by the Federal Government which found that 1,865 workers constituted «unnecessary and unwarranted surplus on the pay roll» *(42)*, it was done in anticipation of the kind of policy which RITES would like. Indeed there is evidence to show that when public enterprises are run by multinational firms or foreign managers, they find it relatively easier to decide on and implement a policy of mechanization which might invoke loss of job by many long-serving employees of a public corporation. Thus, it took the taking over of the Nigerian Coal Corporation by Kopex Mine Construction Company of Poland to set in motion the mechanization and reorganization process in the Nigerian Coal Corporation which led to a retrenchment of coal miners.

MULTINATIONAL FIRMS AND THE LOCAL CONTENT OF PRODUCTS

Apart from the transfer of technological skill to Nigerians, the local production of component parts, or the use of local raw materials is one of the strategies by which the Federal Governments planned, in the 1975–1980 development programme, to create a strong industrial base. Accordingly, in signing contracts with multinational firms, Nigerian public enterprises and the Federal Government itself insist on a progressive reduction of reliance on external sources for the supply of productive inputs, including raw materials. For example, the agreement between the Federal Government and Volkswagen of Germany provided that, wherever possible, local materials would be used on fittings and components for cars produced in the plant. And, it was anticipated that, within three to four years of operation, 30 % of components of vehicles produced in Nigeria would be obtained locally. Such provisions are, however, conservative if that percentage becomes an accepted maximum: on the average, 34 % of raw materials used by multinational corporations for manufacturing are imported *(44)*. Nevertheless that clause in the agreement is still useful and necessary since, generally, multinational corporations show preference for imported, rather than locally obtained, raw materials. This is mainly because, with their emphasis on reduction of costs and maximization of profits, multinational corporations believe that they can produce the component parts of products more cheaply either in their home countries or by their affiliates located elsewhere.

CONCLUSION

In the short run, a public enterprise which enters into management partnership with a multinational firm is likely to benefit from high level skilled and experienced manpower, improved staff discipline and higher productivity resulting from more rational job specifications, more stratified and hierarchical organizational structure, greater correlation between financial rewards and performance, etc... The nation as a whole may even benefit from increased revenue accruing from taxes and a small dose of transferred skills and know-how. But, in the long run, the public enterprise would suffer from continued technological dependence on its foreign partners; it would, too, suffer large financial losses due to inflated costs of equipment, artificially raised expatriate salaries and other devices used to maximize the amount of capital repatriated. Also, the national economy would, in consequence, continue to be externally oriented as multinational corporations introduce unsuitable (even if highly sophisticated) technology for the local production of goods on foreign tastes. Thus association with M.N.Cs helps to maintain external orientation among the elites who, as a result, soon become alienated from the broad masses, thus widening the elite-mass gap and hampering the process of mass mobilization for social and economic development. Too, partnership with multinational corporations tends to perpetuate the use of limited liability company types of organizational structures which inhibits worker participation and ultimately generates industrial unrest. Also the operation of multinational corporations, even on their own in Nigeria, has demoralizing demonstration effects on indigenously managed enterprises and reinforces other corrupting influences which bear on Nigerians.

Management in a developing country is, or ought to be, concerned, not just with the best way of combining human and material resources to attain goals at minimum cost and maximum speed. It also should deal with the question of whether the goals to be attained are right and whether the benefits will accrue to a large proportion of the general public rather than to a small group of elites. Therefore, multinational firms which introduce capitalist institutions, norms and ethics and which transfer the inequities inherent in capitalist mode of production into underdeveloped nations are, by definition, inefficient managers of public enterprises.

Nevertheless, the short term benefits of cooperating with multinational corporations are worth retaining if the costs can be reduced. Such benefits may be reaped at minimum cost if the following conditions are created and the following measures taken *(45):* (i) the underdeveloped state whose public enterprises enter into partnership with multinational corporations must have a government whose decisions and actions reflect the interests and desires of the populace; it must also have public organizations and a bureaucracy that are both efficient and responsive to the needs of the people. Such a government and such a bureaucracy will ensure that, in spite of cooperation with multinationals, the industrial structure of the country is shaped according to internal needs and under indigenous direction and initiative; (ii) negotiations for partnership with multinational corporations must not be undertaken in a hurry by competing sections of the states, otherwise the developing state will end up at the unfavourable side of the benefits-to-costs ratio. The governments of underdeveloped countries must improve bargaining outcomes by reducing their impatience and their demand intensity, by eliminating intra-state and interstate rivalry for the favours of multinationals; and by keeping competitive M.N.Cs in negotiation for a long period, playing off one company against the others; (iii) the governments of developing countries must take steps to secure access to modern scientific knowledge and technology, not only through direct foreign investment and cooperation with multinationals, but by specific contractual agreements on patents, licencing and know-how and by a sustained effort to study and imitate the production of expensive and sophisticated machines and equipment.

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45. For a more detailed discussion of this point, see Robert L. Curry Jr. and Donald Rothchild, «On Economic Bargaining between African Governments and Multinational Companies». *The Journal of Modern African Studies* 12.2.1974, pp. 173–189.

RESUME

Deux écoles de pensée regroupent les opinions – très divergentes – concernant l'influence des firmes multinationales sur les économies des pays africains ; dans le cadre restreint de cet article, il s'agit de l'économie nigériane en particulier.

Ces écoles de pensée sont :

1./ *Celles des «Libéraux» qui estiment qu'en s'associant avec une multinationale, une entreprise publique africaine bénéficierait d'avantages financiers et techniques, de la formation de son personnel local, de la réduction des prix d'inputs importés, de l'accès aux résultats de recherches menées par les multinationales et enfin d'un meilleur contrôle de la qualité de sa production.*
2./ *Celle des «libérationnistes» qui pensent que dans l'ensemble, les multinationales emportent plus qu'elles n'apportent; en outre, elles se posent en frein au développement auto-gestionnaire et en «partenaire» exploiteur.*

Pour illustrer les arguments de ces deux courants de pensée, l'auteur donne des exemples concrets avec tableaux, statistiques, noms d'individus et de sociétés, dates et citations à l'appui. C'est ainsi qu'il étudie tour à tour :

- *la nature des entreprises publiques dans les pays sous-développés*
- *la nature des firmes multinationales*
- *les types d'association entre ces entreprises et ces firmes*
- *les multinationales et leur gestion des entreprises publiques*
- *les différentes motivations*
- *les structures organisationnelles*
- *la formation des cadres*
- *les multinationales et la création d'emplois*
- *les multinationales et la production locale.*