RETHINKING A PARADIGM SHIFT IN THE MANAGEMENT OF STATE ENTERPRISES AND PARASTATALS: THE AFRICAN CONTEXT

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Abstract

African States have privatised and commercialised some of their entities in the mould of state enterprises and parastatals (SEPs) which constitute significant parts of market capitalisation, employment and GDP. SEPs are charged with the administration of utilities such as electricity and telecommunication that affect the populace. The state as an active owner is obliged to ensure effective leadership and professionalism in the SEPs. Challenges to improve services and politicised board appointments indicate the need to entrench good leadership and corporate governance in an age of austerity. The thrust of this paper is a paradigm shift from the traditional management to effective leadership, a vital cog for SEPs as they strive to deliver more with less on time and on budget.

Keywords: State Enterprises and Parastatals, Paradigm Shift, Transformational Leadership

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1. Introduction

State enterprises in Africa are either called state owned enterprises (SOEs) or government owned enterprises. They are completely different from government ministries and departments in terms of structure and administrative functions. State enterprises are created to function as companies in terms of the Companies Laws of a given country but government having a significant degree of control and ownership. They are wholly or partially owned. Parastatals as derived from “Para-state” are quasi-government public corporate bodies wholly owned by government and set up as specific entities. However, they are given sufficient autonomy and with their jurisdictions and legislations varying from one country to another. Government exercises its rights and responsibilities over them and they are created without shareholders. There is a thin dividing line between state enterprises and parastatals.

State enterprises and parastatal (SEPs) leaders in Africa face challenges when responding to the twin pressures of providing more customer-focused services while reducing spending at the same time. As a result, what appears to be a trend in many public organisations (SEPs included) in developing and emerging economies is that organisations perform below the expected standard (Mankins and Steele, 2005). Based on these definitions the focus needs to be on leadership capabilities as opposed to top leadership roles. There is need for leaders of SEPs to effectively use available information to answer questions that make the organisation learn while avoiding punishing followers for genuine mistakes. There is need for a paradigm shift from management to leadership, and to SEPs leaders who match the organisational and community profile across gender, cultural diversity and other attributes.

Effective leadership involves handling information which is potentially damaging through rapid analysis of situations (Leslie and Canwell 2010) and building a stock of effective questions. There is need to protect the SEPs when genuine mistakes are made and let the organisation learn from such mistakes and not to create a climate of punishing for all mistakes. Otherwise followers will hide the errors and retard the growth of the institution. SEPs have a residual culture from the public sector in which participants in meetings often have to wait for the most senior person to speak first. Although it may be convenient, leaders are better advised to get views of the participants even when they believe they have the answer to the problem. This reduces some leadership burden that many leaders carry under the guise of positional power and authority. Leslie and Canwell (2010:303) corroborate,

“Leaders emotional intelligence matters. They need to bring their own strengths, values and personality to the role and use them to get the team’s buy-in, which can help to reduce the turnover of talent.”
For the success of SEPs, there is need for a paradigm shift from the traditional stance where leadership was seen as the sole preserve of the most senior, but to share accountability, responsibility, problem-solving capability and develop leadership throughout the organisation. This can promote innovation and change. This paper implores SEPs to rethink a paradigm shift from the traditional management practices to contemporary leadership or a blend of the two. A background is given highlighting the issues bedevilling SEPs which is what has prompted this study. It distinguishes between leadership and management, a conceptual analysis of leadership and provides conclusions and recommendations for SEPs in Africa.

2. Background

Scandals in state enterprises and parastatals (SEPs) raise questions regarding the quality of organisational leadership (Reed et al. 2011). These authors further submit that, the worldwide economic crises erupted in mid-2008 challenged organisational scholars to deeply interrogate held assumptions about effective leadership and define new models that adequately respond to the demands of global society. The new paradigm, (Bolden and Gosling, 2006), is an alternative of leadership that moves beyond the ‘competency inputs’ and ‘performance outputs’ that has been a yardstick for effective leadership. This will bring emphasis on the moral, emotional, and relational aspects of leadership such as the concept of servant leadership (Reed et al., 2011) among other frameworks. As argued by Perry and Hondeghem (2008), there is need for more robust research on leadership and motivation in the public sector organisation.

The Government Effectiveness Score (GES) by Kaufmann et al (2009) has been used in some studies to demonstrate leadership effectiveness in public sector (Samaratunge et al, 2008).

Leadership effectiveness in SEPs is also critical as it determine the citizens’ satisfaction and trust, and organizational reputation (Vigoda-Gadot et al, 2008) In African, almost all sub-continents, such as North Africa had consistent and negative GES scores, in countries such as Egypt. Although South Africa had low effective leadership practices according to a study conducted, it remains the most effective as compared to other countries on the continent (Aziz et al., 2012).

However, Brewer and Selden (2000: 685) made the following observation;

"Elephant and the public organisations both are saddled with inaccurate stereotypes. Elephants are believed to be slow and insensitive creatures, when in fact they can run very fast and are very sensitive. Similarly, public organisations are believed to be low-performing and unresponsive, when in fact many public organisations perform very well and are models of responsiveness" A good example of such an idea (Al-Tameemi and Alshawi, 2014) is a comparison of organisational performance between the public and private sector. While the two sectors are guided by the principles of good leadership and governance, they differ in terms of leadership style, amount of bureaucracy and interference from government that militate against leadership. The OECD (2001) views leadership as a critical component of good public governance and describes governance as the way in which values of a nation through its Constitution are “institutionalised”, where “leadership” is the flesh on the bones of the Constitution and is at the heart of good governance.

Mafini and Pooe (2014) note that, the world has been transformed into a global village in recent times, coming along with uncertainties, risks, and volatilities that compel organisations (Flint and Van Fleet, 2005) to seek strategies for ensuring ensure optimum performance. Several SEPs in Africa suffer due to performance which succumbs to pressure (Acquaah and Yasai-Adekani, 2008). Some SEPs, on the other hand, have done well by adopting leadership strategies, which placed them on a competitive edge in times of turbulent economic situations (Zane et al, 2004). Those underperforming SEPs (Molefe, et al 2011) have to develop leadership strategies, a paradigm shift for survival and deliver high quality goods and services to their customers and stakeholders. In Africa, this appears to be lacking in most SEPs.

Like other public organisations, SEPs draw most of their income from the fiscus, and therefore are accountable to the public such as the taxpayer and government (Fryer, et al., 2009). Consequently, pressure is put on SEPs to transition their leadership for improved performance (Halachmi, 2011).

SEPs differ greatly from the private sector. Corrigan (2014) contends that, the key corporate governance differentiator between SEPs and the private sector is proximity to state power. Apart from being state property SEPs are bound by the state’s legal and regulatory environment, and subjected to the direct influence of politicians and not career businesspeople. As a result, issues of conflicts of interest, politics of patronage and favouritism are extensive. The biggest challenge frequently noted in them is the appointment of board members. There is often too much government interference with political overtones which produce weak boards of management.

The Mauritius report, Panel of Eminent Persons (2010:279) made the following observation;

“There is widespread recognition that the appointments of directors in SOEs are based on political considerations … This leads to questionable decisions and claims of political bias in business decisions … survey respondents also believe that directors often do not have the necessary technical
expertise or qualifications for the positions they hold.”

Inevitably, Board selection in SEPs will involve the role of government as part of the duty of ownership. It is for this reason that the Organisation for Economic Co-operation and Development (OECD) has made suggestions for checks and balances that can be employed to ensure suitable candidates get appointed. The African Union (AU) may need to establish such measures as with the OECD. However, as conceded by the OECD it may not be completely possible to insulate the appointment process from interference stemming from politicians but it can be mitigated. Mozambique and South Africa have been fingered in politicising appointment processes by the African Peer Review Mechanism’s Country Review Report (APRM’s CRR) cited in Corrigan (2014).

3. Distinguishing between leadership and management

In everyday life, people engage in one form of management or the other. They manage their homes, careers, relationships, time or money. In that broad sense everybody is a manager. The concept becomes complex when applied to organisations where a manager is formally appointed to positions of authority and power over others. From the theorists and academicians perspective, managing is seen more as maintaining what is there (transactional) and leaders as those who are visionary and dynamic in nature (transformational). This analogy brings controversy about the difference between leadership and management because anybody in management is always assumed to be a leader. Scholars like (Bass, 2010) argue that, the two activities are not synonymous although management and leadership overlap. For Yukl, (2010) it is that degree of overlap which is a bone of contention. Abraham Zaleznik was the first scholar to make this position (Lunenburg, 2011). He argues that, leaders advocate change and new approaches whereas managers advocate stability and the status quo. Further, managers carry out responsibilities, exercise authority, and concerned about how things get accomplished when leaders are seized with understanding people’s beliefs and gaining their commitment.

For Kotter (1987), leadership is all about coping with change and management is about coping with complexity, Kotter believes that the leadership process involves (a) developing a vision for the organization; (b) aligning people with that vision through communication; and (c) motivating people to action through empowerment and through basic need fulfilment. This process of leadership is seen as creating uncertainty and change in the organization. In contrast, Kotter (1987) believes that, the management process involves (a) planning and budgeting, (b) organizing and staffing, and (c) controlling and problem solving. This process of management reduces uncertainty and stabilizes the organization. In concurrence House (1997) says management is about implementing the vision and direction developed by leaders, coordinating and staffing the organization, and handling day-to-day issues.

Bennis (1989:7) underscores the difference between managers and leaders by stating that, “To survive in the twenty-first century, we are going to need a new generation of leaders—leaders, not managers. The distinction is an important one. Leaders conquer the context—the volatile, turbulent, ambiguous surroundings that sometimes seem to conspire against us and will surely suffocate us if we let them—while managers surrender to it.”

For Drucker (1999) leadership and management were completely distinct concepts but from the work of Edersheim and Drucker (2007, xi) it was stated that: “Management is doing things right, leadership is doing the right things.”

Lunenburg (2011) presents a comparison of management and leadership as shown in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Leadership</th>
<th>Management</th>
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<tbody>
<tr>
<td>Thinking Process</td>
<td>Focuses on people</td>
<td>Focuses on things</td>
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<td></td>
<td>Looks outward</td>
<td>Looks inward</td>
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<td>Goal Setting</td>
<td>Articulates a vision</td>
<td>Executes plans</td>
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<td>Creates the future</td>
<td>Improves the present</td>
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<td></td>
<td>Sees the forest</td>
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<td>Employee Relations</td>
<td>Empowers</td>
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<td>Colleagues</td>
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<td></td>
<td>Trusts and develops</td>
<td>Directs and coordinates</td>
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<td>Operation</td>
<td>Does the right things</td>
<td>Does things right</td>
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<td></td>
<td>Creates change</td>
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<td>Serves subordinates</td>
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<td>Governance</td>
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<td>Uses conflict</td>
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Table 1 reveals that, good leaders do not expressly translate to good managers, and also that good managers are not necessarily good leaders. Further, it shows that, good management skills transform a leader’s vision into action and successful implementation. Lunenburg, et al (2010) believes that effective implementation is the force that drives organizational success all things being equal. It is clear from Table 1 that, organizational success is due to a combination of effective leadership and management. Pascale (1990) describes managers as those who think incrementally and leaders as those who think radically. This is taken to imply that, as managers stick to tried and tested methods, and tend to work within SEPs policies and procedures, leaders tend to follow their own direction, and that this may be of greater benefit to an organization in the long run.

4. A conceptual analysis of leadership

Leadership is about influencing processes that ultimately achieve set goals in an organization or group (Yukl, 1989). Leadership is about motivating, inspiring, and engaging people to achieve results. Peter Drucker sums it up in Yukl, (1989) "The only definition of a leader is someone who has followers. To gain followers requires influence but doesn't exclude the lack of integrity in achieving this". In SEPs leadership is such an important aspect of the work environment for workers and government (Oldham and Cummings, 1996; Scott and Bruce, 1994). To be effective (Park, 2011), public sector leaders ought to have value-based leadership styles, specifically, charismatic and servant leadership, transformational and transactional leadership, directive leadership and integrated leadership.

In servant leadership (Van Dierendonck, 2012), leadership theories manifest overlaps in terms of level 5 leadership, empowering leadership, spiritual leadership, self-sacrificing leadership, transformational leadership, authentic leadership and ethical leadership. Perhaps this explains the submission by Taylor et al. (2007) that servant leadership is compatible with other leadership models and sometimes viewed as an extension of transformational leadership. However, Stone, et al (2003) suggest that transformational leadership is more inclined to organisational objectives when servant leadership is more to the people or followers. The authors argue that this is the key factor distinguishing between the two. Servant leadership seem to have gained (Jones, 2012) popularity to a perceived need for leaders to become employee-focused, principled and more efficient.

A leadership style can be viewed as an approach of directing a team to implement plans and motivate people to accomplish a task. A critical scholarship review provides several different leadership styles. The SEPs are ever changing in response to changes in public expectations, laws and political environments and hence styles of leadership they engage vary and evolve as well. These leadership styles are tersely discussed below:

Democratic leadership- where the leader maintains control of the group, but team members’ opinions and views are encouraged and the leader informs the team about issues which may affect them.

Laissez-faire leadership- a hands-off approach to leadership, where the group is trusted to complete the task by the leader.

Transactional leadership - direct and uses rewards and punishments to motivate the team

Transformational leadership - focuses on team performance as a whole by encouraging team members to think of the group rather than themselves

Bureaucratic leadership – focuses on rules and procedures to manage the team

People-orientated leadership - focuses on participation of all team members

Task-orientated leadership- about getting the job done rather than the needs of the team.

For SEPs researchers and scholars have defined leadership as a process by which a person influences others in a bid to achieve set goals and objectives. Leaders also direct organizations to be cohesive and coherent. Northouse (2003) has defined leadership as a process in which individuals influence group of people to achieve a common objective. According to Cohen and Levinthal (1990) the success of an entity is directly related to the effectiveness of the leadership and organisational culture. Private sector and public sector professionals are in agreement that leadership is so fundamental to organisational effectiveness (Covey, 1989) while management plays second fiddle.

There are two major types of leadership identified by Burns (1978), namely transformational and transactional leadership. In transformational leadership (Szewczak and Snodgrass, 2002:15) leaders develop the leader-follower intimacy with the desire for growth and development of followers. This is done through generating and maintaining trust, confidence and desire, (Szewczak and Snodgrass, 2002). The main thrust of transformational leadership is roping in followers to levels in which they meaningfully (Einstein and Humphreys, 2001) accomplish set organisational tasks with minimum or no intervention of the leader. For Bass (1985), this kind of leadership leads to performance beyond expectations. Howell and Avolio, (1993) and ( Bycio, et al 1995) view transformational leadership as being visionary and enthusiastic; with an ability to motivate and (Yukl, 1994, Bass and Avolio, 1993) inspire followers beyond expectation. This research is inspired by these views to rethink a paradigm shift in SEPs.

Quality and effective leadership has shown (Heskett, et al 2008) that top-level leaders of outstanding service entities spend little time setting
profit goals or concentrating on market share, the management mantra of the 1970s and 1980s. With a paradigm shift of leadership, the contemporary economics of service command that frontline employees and customers have to be the centre of management concern. As such, successful service leaders pay due attention to parameters that drive profitability in this new service paradigm. That is, investment in people, revamped recruiting and training practices, compensation linked to performance for employees at every level and technology that supports frontline employees among others. Parry (1998) posits that, the best leaders appear to prefer transformational behaviour as opposed to transactional, although engaging both. Authors (Parry and Procter 2001) and (Valle 1999) observe that, literature portrays transformational leadership as predominantly vital in enabling public sector organisations to maximise their input to community outcomes. Further, Parry and Procter (2001) contend that, a transformational leadership culture motivates organisation members beyond their self-interest, than a transactional culture.

Bass and Avolio (1993) describe transactional leadership as being instrumental in nature with a thrust on leader-subordinate exchanging relationships. They believe that transformational and transactional leadership styles are complementary and that the same leader could exhibit both patterns of leadership. Bass (1998) defines transactional leadership as being based on some contingent reinforcement where a leader rewards or metes out punishment to followers according to the adequacy of their performance. Yukl (2002) making an inference from Bass’s definition argues that, primarily the influence process derived from transactional leadership appears to be ‘instrumental compliance’ because the follower complies to gain reward or avoid punishment. Therefore, this form of motivation or lack of is likely to result in minimum effort needed to get the reward or avoid punishment.

The effect of transformational leadership on transactional leadership has received much support from empirical evidence (Bass, 1985; Waldman, et al 1990; Kirby et al, 1992). Also, studies reveal that transactional leadership is not necessarily ineffective; instead, it is generally less effective than transformational leadership (Bass, 1985; Hater and Bass, 1988; Bass and Avolio, 1990).

The paradigm shift from traditional management, calls for the adoption of both transformational and transactional leadership approaches as these are required to achieve effective strategic leadership in SEPs. In strategic leadership leaders bring about strategic change in the performance and culture of SEPs in order to achieve the set goals. Strategic change therefore requires transformational leadership to establish and communicate the desired goals and, to develop the skills to realise them. Transactional leadership is also required to reinforce desired performance and change in the SEPs.

However, scholars, researchers and practitioners should take note of assertions made by Steers et al (2012:481) that, “What most research fails to do, is recognise that leadership processes can vary significantly across geographic regions. That is, much of what is written discusses or proposes a particular leadership model that has been constructed based on largely Western beliefs, values, and cultures, and then offers this model to the world as an accepted strategy for managerial and organisational effectiveness”.

5. Leadership role in SEPs

Leaders in the public sector have an obligation to lead their organisations towards the desired outcomes for the society their organisation serves (McLeod, 2007). For leaders to ensure that leadership efforts are directed towards that end is not a simple task. To some extent, some activities may be determined by the politicians, but to a larger extent it is the organisational leadership that is charged with planning, designing and implementing the organisation’s work. Therefore, service delivery or failure depends on the decisions, skills, attitudes and behaviours of those in leadership positions. It follows that, influencing personnel to meet work related targets irrespective of political interference or inadequate resources is no mean task for leaders in SEPs. In order to overcome professional biases, leaders have to change traditional methods of delivery- a paradigm shift to battle established interests. In Africa, while SEPs may set their goals and objectives in the communities they serve, their actual behaviour (McLeod, 2007) may be diverted towards other goals, which may be political or economical in nature.

Laking (2001:12) notes that, “the senior managers of public organisations have a limited ability to take on a leadership role in resolving such ambiguity”. There is a political leader (a councillor, minister or political appointee) beyond the organisation whose job is to set goals that may run parallel to those of the organisation.

When that happens, the financial impacts of such goals may carry political risk for SEPs leaderships who may be accused for having failed to provide professional advice to the politician. SEPs operate in an environment that demands efficiency, fraught with suspicion of corrupt tendencies and intense scrutiny of suspected incompetence or waste (McLeod, 2007). On the contrary, the same public also (Rainey, 1997) demands effectiveness. But where a government has a critical function to be done, priority is getting the job done and issues of efficiency become immaterial or secondary. For example, while politicians may emphasise timeliness, judges can emphasise reasonableness and process concerns.
SEPs leaders are expected to respond to the public, politicians and other governing bodies like Boards or Commissioners, international community, competitors, their own staff, private individuals or interest groups, at the same time observing rule of law. To avoid a conflict of interest, SEPs leaders in Africa have to rethink a paradigm shift from management. In Africa, SEPs leaders fall victim to political influence through capitalisation of projects by politicians which Rainey (1997:109) has described as the “power of the purse.”

It is for this reason that McLeod (2007:9) concludes that, “Both the findings of the research and the public management literature suggest that managing the political context is a vital role for senior executives in leading public organisations strategically.”

6. Conclusions and Recommendations

The importance of state SEPs in Africa is well recognised (Corrigan, 2014) but remains an incomplete project. The recognition fails to acknowledge that SEPs are entities that have to practice good corporate governance and operate competitively independent of heavy uncalled for state patronage. SEPs leadership must embrace good corporate governance as an asset to their operations and post plausible services to the public. This will help reduce political interference and other ant-development interventions. One way of skirting this problem is through a paradigm shift from traditional management practices. Today’s dynamic workplaces and SEPs require leaders that challenge the status quo, inspire and persuade members of the organisation. What is needed are people who can develop skills as both leaders and managers and be able to balance out these skills drawing on each as the situation changes.

In this paper, leaders have been defined as those that have a vision and the desire to re-mould the SEPs to fit into the changing business environment. They were also considered to be inspirational and taking followers with them. Managers were described as being those that control, maintain current structures and strive to take the vision and achieve goals set by those in leadership with available resources available. Maintaining the status quo without moving forward has crippled many SEPs in Africa.

In order to improve SEPs in the U.S.A, Kaufman (2001) suggested diminishing the influence of politicians and political parties over appointments to public positions including promotions. In Africa apart from a paradigm shift, states may consider issuing state ownership policies defining their corporate governance role in SEPs to forestall possible manipulation by some other government officials. The policy must allow SEPs board members to exercise independence on corporate governance issues with clearly stated state ownership rights. Recognition of the value of servant leadership should be well articulated by the state policy. Transformational and transactional leadership approaches may be included in the policy document with special emphasis placed on transformational approaches. However, other interventions cannot be completely discarded.

References: