Public enterprises do not always respond quickly and effectively to changing technological and market imperatives. Complete uniformity in matters of wage would not only reduce efficiency to the lowest common denominator, but also simultaneously push wages to the highest levels. In cases where the public enterprise is in a competitive market, government must allow market forces to operate and leave pricing decisions to management. From time to time, the media and the corporate world have composed an obituary for the nation’s public sector. Dirges have been sung about its depressing work ethic, its absence of profitability and its lack of professionalism. The public sector in South Africa is central to our philosophy of development. In the pursuit of this objective public ownership and control in critical sectors of the economy has to play an important role in preventing the concentration of economic power, reducing regional disparities and ensuring that planned development services the common good. This opinion attempts to place in perspective, some of the causes of the atrophy and decay, and suggests that a blueprint is required to make the public sector more viable in an era of rapid political change taking place currently in South Africa. This assumes significance and importance because of the current political upheaval and uncertainty being experienced within the African National Congress as the ruling party of our fragile democracy. In this regard it therefore, urgently requires a game plan for a changing political landscape in respect to the public sector.

The term ‘public sector’ is an omnibus category covering a large number of enterprises owned and operated by the central, provincial and local governments. Some of these enterprises are run departmentally while many enterprises have been given corporate form and are and are termed non – departmental enterprises. The growth of public enterprises has been phenomenal in terms of investment, production and range of activities. Public enterprises in the Republic of South Africa account for the majority of employable people within the total labour force in government and all public sector units.

Issues Facing the Public Sector

Impressive as the achievements are, there are also areas of serious concern. Perhaps the most important of these lie in the area of resource generation. Another issue needing urgent attention is the nature of government – public sector interface as it has evolved over the years. It must be admitted that relationships that have prevailed between public enterprises and their external environments have often had a detrimental impact on the commercial and entrepreneurial dimensions of the activities. Public enterprises are not always able to respond quickly and effectively to changing technological and market imperatives. One of the reasons is excessive bureaucratic control. Another problem which has affected the performance of the public sector is that over the years the public sector has come to be regarded primarily and at times even purely, as a provider and protector of employment. This has led to excessive over staffing in many enterprises. These areas of concern must be tackled with conviction and the resilience that they deserve. To begin with, the future directions of growth of public enterprises have to be chartered. The objectives, as
well as the circumstances under which the public sector was originally conceived, continue to be equally relevant and valid today. However, the industrial profile built up over the decades and the resilience which it has created in the entrepreneurial field are factors which need to be taken into account while restating policy in regard to public enterprises in South Africa.

**Priority Areas for Growth**

Within the framework of this approach government should propose that the priority areas for the growth of public enterprises in future and particularly in the post apartheid era should be centred on the following: Investment in infrastructural services, particularly when they are a part of an integrated network, in respect of development initiatives. Investments in mega – projects involving the discovery and exploitation of mineral resources, particularly when these resources are scarce and need to be utilized in the context of long term perspective for depletion. Major investments in technology acquisition, in respect to its development and its capability for purposes of building in critical sectors, which influence the prospects for development in the whole economy, for example in areas such as machinery, manufacturing, electronics, information technology, bio – technology and a host of other areas. It is therefore necessary that investment in the manufacture of products where strategic considerations preclude dependence on private sources be given attention and priority. This would allow for selective investment in areas which are largely in the private sector, where a countervailing power to monopolistic or oligopolistic practices is felt to be necessary and where other methods of regulating these practices are ineffective.

The government in South Africa, feels that financial profitability (other than exceptional cases) is both relevant and important and aught to be one of the key yardsticks of public sector performance evaluation. Perforce, public sector enterprises would have a multiplicity of goals, obligations and objectives. These would include non – commercial objectives. The latter should be made transparent as far as possible so that the extent to which they limit the ability to generate profits is clearly quantifiable.

**Poor Financial Performance**

The poor financial performance of some public enterprises is, in large part, traceable to deficiencies in the original investment decisions which then plague the enterprise adversely throughout the life span of the project. These deficiencies can take the form of inappropriate location, improper technology covering both know – how and equipment, irrational product mix and imposed marketing arrangements. Major technological and financial restructuring is needed to make some of the perennially loss making enterprises viable. Many of the chronic loss makers can be turned around by induction of new technology and changes in product mix. This must be initiated by government speedily.

On a case – by – case basis, government must restructure the capital base of such public enterprises that continue to make losses. Government as owner must consider absorbing the capital loss arising from such ventures and suitably write – down the capital which needs to be serviced; and thereafter insist on capital servicing. Employment in chronic loss making enterprises in the South African public sector is very high. Excessive overstaffing has had an impact on the profitability profile of many of these undertakings.
It is therefore, vitally important and more than essential that public corporations and enterprises, given the above scenario, consider and institute an effective system of internal audit and review periodically. In addition the government must review its monitoring and information systems of public enterprises. As far as possible, the periodicity of the reports and returns must not be more frequent than quarterly. Monthly reports must therefore be confined to a few limited purposes where they are felt to be absolutely necessary for sectoral monitoring. A distinction must be made between meetings for monitoring sectoral trends or developments and performance review meetings. A review of the performance of a public enterprise must be adopted only once a year and not on a management / administration function which must be undertaken at the board level. Even monitoring meetings (including the monitoring of major projects) at the government level need ordinarily be held only once in six months. In the implementation of approved projects and in current operations, matters such as contracts, appointments, dealerships, determination of agencies and so on, will and must be under the purview of the management, and government must refrain from intervening in such matters. When formal clearances such as those relating to foreign exchange releases are needed, these will have to be obtained from the Department of Finance and the Treasury, which is the supreme financial authority of the country. In respect of statutory and other governmental clearances which are common to the public and private sectors and, it must be ensured that the procedures are similar.

Public enterprises should be able to deal with their problems with other public enterprises in matters as placement of orders, price negotiations, delivery schedules, the satisfactory discharge of contractual obligations, and allocation of scarce supplies or commodities and so on, at the managerial level without seeking the intercession of the respective ministries.

In such matters public enterprises will be expected to develop business – like contractual relationships with one another in proper commercial terms. In keeping with the approach of granting a larger measure of autonomy to public enterprises and allowing them to function on business lines, government expectations will be to see that they become competitive and must propose to gradually withdraw the price preference vis-à-vis the South African private sector. It has been the complaint of top executives of public enterprises that their operational effectiveness gets seriously affected by the shortness and instability of tenures at top levels. Government must therefore implement a policy that as far as possible appointments to board level posts must be made for a period of five years, and that, if necessary, an extension beyond the superannuation date up to sixty years will be granted only in exceptional circumstances and cases.

As regards stability of tenure, the chief executives and directors of public enterprises cannot be given the same kind of security as is available in the civil service. However, in order to allay any apprehensions of arbitrary action, it must be decided that any non – extension or premature termination of tenure will have to be decided with the approval of the Appointments Committee of the Cabinet, after obtaining the recommendations of the public enterprises board. To give sharper focus to the concepts of autonomy and accountability as they obtain in actual practice, governments intention must be clear and directed towards working out a charter for each public enterprise; a corporate statement of goals and objectives adopted by the board and an enumeration of some selected expectations of customers. These charter ought to serve as the basis of an annual performance evaluation by government. The essence of this is not merely to assign tasks and set targets for the enterprise, but also for the ministry concerned to bind itself to discharging certain
obligations such as price approvals, payments of subsidies at agreed levels, investment approvals, and procedural clearances and so on, promptly and without delay.

**Audit**

An important instrument for the enforcement of the accountability of public enterprises is audit. Public enterprises are subject to double audit which places them at a disadvantage to the private sector. There is first an audit by a firm of chartered accountants who are the statutory auditors of the enterprise in question. This is then followed by a supplementary and superimposed audit by the auditor general. What is required is not micro audit of isolated actions or fault finding, but an overall appraisal of performance. Another instrument of accountability which tends to become a serious inhibitor of Executive action and decision making in public enterprises is what is known as “vigilance” arrangements. Undoubtedly high standards of probity, integrity, and regularity have to be maintained and there has to be a machinery to watch and oversee all of this and the externality of this machinery must be assured, including the lack of adequate knowledge and appreciation of the circumstances, urgency and compulsions of executive action, the protracted procedures involved and the general tendency to presume guilt until innocence is proved. All of these together have an intimidating effect on public enterprise executives. In due course an innocent officer may indeed be able to establish his innocence, but in the process some years tend to elapse, and meanwhile the officer would have suffered irreparable damage to his career and reputation and his ability to take decisions would have gravely impaired.

Some Governments of the world have taken the decision that in respect of officers and employees below the board level, vigilance cases would be settled at the board level, but in respect of board level officers – a Central Vigilance Committee must come into being and be involved in the investigations. The Chief Vigilance Officer of each enterprise must be appointed in consultation with the Central Vigilance Commission. South Africa must promulgate such a model for purposes of greater public accountability. Even in respect of the board – level officers who remain within the purview of the external vigilance organization, there is a need for some attitudinal changes as well as organizational arrangements in the investigating agencies. Before an officer is made to face proceedings or investigations, his actions should be reviewed by a group of peers who have the necessary technical knowledge and familiarity with the circumstances of his work and who can view things in the proper perspective. Prosecutorial independence must be guaranteed in internal disciplinary procedures, which is not the case currently within government on the basis that to much power is in the hands of Ministers and Members of the Executive Councils (MEC’s) in provinces, who have been known to abuse their powers and therefore by implication have compromised prosecutorial independence and in so doing have negated the rule of law and, defined constitutional principals. Government must see some merit in this technique or rather suggestion.

Government must canvass Parliament to consider the establishment of a convention that questions concerning matters that are not within the direct purview of government should not be admitted. Similar conventions regarding ‘calling attention notices’ and other forms of discussion relating to public enterprises; effective systems of parliamentary committees to examine overall efficiency and working of public enterprises must be introduced, in order to safeguard democratic tenets of the law.
Some recent judicial pronouncements in South Africa have declared public enterprises to be an extension or arm of the state. This would severely undermine the entrepreneurial and commercial dimensions of the functioning of public enterprises and place them at a disadvantaged position vis-a-vis their private sector counterparts and competitors, as was seen in the case of the South African Electricity Commission (Eskom), the South African Broadcasting Corporation (SABC) and South African Airways (SAA), to mention but a few. A negation of the essential distinction between government and public enterprise would lead to a situation where any aggrieved employee or contractor, for instance, can go to court against the management of public enterprises in the same way as against the state, on the basis of the constitution and the provision of writs. This will only impede decision-making. This also means that government can function only through government departments and in accordance with the modalities, procedures and styles appropriate to government machinery. Making autonomous public corporations amenable to writ jurisdictions is a very serious development and would call into question the very nature of state intervention as part of planning.

**Wage Negotiation**

Having regard to the inevitable impact that the wage settlement reached in one enterprise has on the process of negotiations in other public enterprises in the same sector of industry or in related industries, governments attempt in the past has been to aim at a certain uniformity in the matter of wage negotiations. This may not be conducive to generating optimum efficiency, as complete uniformity in matters of wage would not only reduce efficiency, as complete uniformity in matters of wage would not only reduce efficiency to the lowest common denominator, but also simultaneously push wages to the highest levels. In view of this the logic of having a completely uniform wage structure in the public sector needs to be examined. Future guidelines of wage negotiations in the public enterprise should provide for the establishment of a link between wage increases and productivity. Management of public enterprises should have greater freedom in wage negotiations, linking wages to productivity and keeping in mind the unit’s capacity to pay.

Industrial relations in public enterprises, as indeed in the entire corporate sector, are often rendered difficult because of the multiplicity of labour unions. It would be desirable to minimize the number of recognized trade unions in each case. Appropriate measures are required towards this end. A scheme of workers participation in the management of central public enterprises must be introduced by government. The scheme, must envisage the participation by workers at the shop floor and plant levels in all the enterprises (other than those which are specially exempted). Participation at the board level must also be introduced in selected cases after careful scrutiny. However, another mode of participation by workers in the management of public enterprises, namely, the establishment of joint consultative committees, has been found very useful in many other countries and in certain cases, thus the adoption of this practice in enterprises in South Africa must be encouraged. One of the mechanisms of improving the relationship between the government and public enterprises is the establishment of holding companies. In the past, different routes have been followed in different sectors. In any case, the mere establishment of a holding company is not a solution to the complex problems of the relationship between government and public enterprises. Government must not subscribe to the view that a holding company is the panacea for all ills.
However, where the need is felt for sectoral coordination or where the inter-relationship among a number of public enterprises is such that they can be usefully brought under the umbrella of a holding company, government must relentlessly pursue the setting up of such holding companies.

A narrow interpretation of the concept of administrative control has not enabled an integrated view of the technological capability of public enterprises to be taken. Government must therefore, take the necessary measures to correct this situation. Government attaches great importance to the development of managerial capabilities of public enterprises. In the earlier years of the establishment of public enterprises, there was a tendency to man them through the transfer of a number of government officers, but over the years many public enterprises have been able to develop strong internal management cadres. Today, it is the declared policy of government that for board level appointments, the first preference will be given to internal candidates; the second preference will be given to candidates drawn from other public enterprises or the open market will be considered. This issue has to be looked at government in a balanced approach, without compromising merit, educational qualifications, and experience in respect of appointments. At the same time, mobility between public enterprises and technological or scientific institutions (whether government or other) is desirable and must be encouraged by freely permitting and facilitating the secondment of personnel both ways. Similarly, for below board level appointments a freer mobility within the government and the public sector would be of benefit to both.

Government officers with the right background and experience could work on deputation in public enterprises at middle management levels for a limited period of three to five years. Similarly middle level managers of public sector enterprises could be given assignments in the concerned administrative ministries. While it has been the policy of government to give preference to candidates from within the respective organizations at the time of making selection to the posts of chief executive and functional directors, lately the experience has been that quite often the enterprises are not able to throw up candidates with an overall management background, capable of taking a corporate view of the organization as a whole and provide leadership to the team. To remedy this, the management of public enterprises will have to identify talented executives in various disciplines in the very early stages of their career and groom them to enable them to take up top positions.

**Conclusion**

The government must be determined that public enterprises improve their productivity, achieve excellence in their respective fields and contribute more substantially to the growth process. In developing the public sector of post-apartheid South Africa, government must always be open and receptive to new ideas, suggestions and comments in order to streamline and improve the functioning of public enterprises. The time is opportune, given the downturn in the economy and the appointment of a new President and new Cabinet Ministers that handle the portfolios of Public Service Administration and Public Enterprises in South Africa, to make a fresh start in the quest of consolidating the developmental state and, thus creating a better life for all that inhabit South Africa. However, as matters stand currently in the Republic of South Africa and under the African National Congress (ANC) led government, the situation looks bleak for any
meaningful turnaround of the state and government. This is exacerbated by very poor political leadership and an inept government bureaucracy and public sector. This has led to grave policy errors post 1994. In addition many politicians are involved in political patronage, sleaze and corruption. By the same token the public sector bureaucracy is no different. Leaders must be in a position to distinguish between management and leadership and must invoke the facets of constitutional democracy, which is being eroded. This has given rise to the absence of the rule of law and public accountability. It has therefore led to poor governance, resulting in strikes, violent protests, and the use of brute force by the police establishment.

All of this has further led to a lack of direct foreign investment, the massive fluctuation of the rand as a unit of currency on foreign markets, increased borrowing on the part of government and therefore increasing and escalation debt. It has also led to massive poverty, inequality that is drastically widening and, to increasing unemployment. Given these scenarios it is imperative that the situation be saved by invoking a well thought out game plan, as a blueprint for transformation of the public sector of South Africa. Failure to consolidate an acceptable plan far beyond the accepted and controversial National Development Plan (NDP) will have disastrous consequences for South Africa’s young democracy. There is no doubt that it is a question of sound leadership that is required to address the manifest problems that confront the South African nation as a whole.

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