

## Are Fiji's Government Commercial Companies in Competent Hands?

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*Following the launch of Fiji's public enterprise reform in 1993 that involved commercialisation and corporatisation to create solutions in the ailing government commercial companies (GCCs), not much improvement has been seen in recent times. Many questions were raised in an attempt to determine the cause of the problem. In return, a lot of explanations and answers were presented and the key competencies of senior managers in charge of GCCs were acknowledged amongst the myriad of issues raised. This study seeks to bring to the fore key competencies central to sound performance of GCCs according to senior managers of GCCs following the reform. This is based on several interviews and questionnaires conducted on senior managers of GCCs. The findings of this research are important for many reasons. In particular, it helps government officials identify and address the training needs of senior managers of GCCs.*

### Introduction

In 1993, the Soqosoqo ni Vakavulewa ni Taukei (SVT) government established a pool of public enterprises called government commercial companies following the processes of commercialisation and corporatisation (see Appendix 1 for list of GCCs). It was an attempt to improve performance of GCCs through the introduction of business-type rather than bureaucratic practices. The reform proceeded in two phases, namely commercialisation and corporatisation. The former is perceived as the initial stage and includes the adoption of private sector management practices. It is followed by the latter, which emphasises changing the structure of public enterprises using the "arm's length" concept in order to give public enterprises political and managerial freedom critical to their commercial operations (Amosa 2010). The *Public Enterprise Act* was enacted in 1996 to oversee and regulate the activities of GCCs and the Ministry of Public Enterprise was established in the same year to enforce this legislation. Some specific performance requirements were applied to all GCCs, including sound profitability per annum, a 10 percent return on investment and dividends to be paid to government on a yearly basis.

Unfortunately, after more than a decade, the intention still falls far short of its declared purpose. In recent years, the performance of GCCs remains

unconvincing despite extensive changes to improve performance. A review conducted by the Asian Development Bank (ADB) highlighted a low return on investment from state-owned enterprises (SOEs) in Fiji for the period 2002-06. Accordingly, SOEs contribution to GDP in Fiji is -2.2 percent in 2005 and an average return on equity of -0.7 percent for the period 2002-06 (ADB 2009: 1). Most GCCs have failed to flourish despite numerous changes implemented. This raises several questions, including critical competencies necessary for GCCs' senior managers to manage their respective agencies following the change. Competencies of senior managers running the show are without doubt partially attributed to the dismal performance of GCCs.

#### **Research Question, Rationales and Objectives**

It is evident that GCCs in Fiji have gone through a transition. The government under the *Public Enterprise Act 1996* sent a clear message to GCCs: they are to operate like profit-making ventures. They needed to generate profit and a higher return on investment. What then are the desirable competencies for senior managers in charge of state-owned enterprises going through a change from social to commercial operation? This is the question central to this study. In the attempt to find an answer, the perceptions of senior managers managing GCCs in Fiji were sought on critical competencies to successfully steer GCCs in the new environment following the change in 1996.

In theory, part of the answer to the leading question of this analysis is strong leadership, and in particular transformational leadership. This form of leadership emerged in the 1980s with its mantra of leading change in organisations facing turbulent environments (Kotter 1990; Schein 1985). This led to the proliferation of contributions to the literature on leadership in organisations mainly in the private sector since the 1980s (Bass 1990). While this is a credit to the private managers, their counterparts in the public sector did not have the same privilege. According to Van Wart (2003), the literature in the public sector is relatively thin. Despite the dearth of contributions, it is evident from the existing literature that leadership in public organisations is also a critical competency to higher performance and managing change (Horton 2000; Ingraham 2001; Lodge & Hood 2005; Morley & Vilkinas 1997; Van Wart 2003). As Van Wart (2003: 214) puts it: "In organisations effective leadership provides higher-quality and more efficient goods and services . . . and it provides an overarching sense of direction and vision, an alignment with the environment, a healthy mechanism for innovation and creativity, and a resource for invigorating the organisational culture".

Fiji's case deserves close scrutiny for various reasons. Of particular interest is the longstanding concern about small developing island states rushing to adopt foreign prescriptions, as recommended by international donors, without carefully examining their capacity in terms

of skills available and due processes to meet the necessary requirements. Obviously, the reform demands an entirely different set of managerial competencies for senior managers of GCCs compared to those applied to the pre-reform setting. Without doubt, the shift towards pure commercial practices demands managers with sound competencies and proven business experience to oversee the operations of GCCs. Moreover, state-owned enterprises in Fiji since 1996 have received significant investment in terms of total assets in the economy. This is estimated at between 16 to 22 percent by the Asian Development Bank (ADB 2009). In addition, the return on this investment since the reform has been very low. The ADB estimated it at -0.7 percent for Fiji in the period 2002-06, while the contribution to GDP is \$0.07 for every dollar invested in 2006 (ADB 2009). In addition, only two GCCs were found profitable for the period 1996-2006, the Unit Trust of Fiji and Ports Terminal. The rest were struggling financially. Apparently, GCCs in Fiji are consuming substantial public resources but are failing to produce the expected returns despite the sweeping changes that took place in the mid 1990s to lift their performance. The attempt to provide some insights on the perceptions of senior managers of GCCs in Fiji on essential competencies for managing state-owned enterprises is therefore warranted in terms of assisting the concerted effort to find solutions to resuscitate the ailing GCCs following the reform.

#### **Literature Review**

Competency in the public sector according to Lodge and Hood (2005) has been a feature of administrative changes in the past and in recent years, although it was referred to in various terms. Max Weber's several principles of the bureaucracy in which there is emphasis on appointing the public official on merit (Lodge & Hood 2005) and the idea of specialisation (Gerth & Mills 1970) underscore the view that competency is nothing new to the public sector. Horton (2000) also ascertains this view by relating competency to scientific management and the human relations school of thought. In recent times, and in particular the 1980s and the 1990s, the idea has gained momentum due to the popularity of the managerialism approach that dominated public sector reforms in Britain and Europe (Horton 2000; Lodge & Hood 2005).

Despite the recent surge in defining competencies for public managers over the last decade or so, the literature on the subject matter remains stagnant compared to the private sector (Van Wart 2003). The task becomes much more challenging due to the absence of any study on the competencies of public managers in Pacific Island Countries (PICs) managing public enterprises dealing with commercial operations of their respective governments. Nonetheless, there are potential overlaps in both sectors regarding "common managerial concerns and responses" (Horton 2000: 306) that are useful in shaping views on possible and effective

managerial competencies required for managing public enterprises.

In compounding matters, the term competency (or competencies in plural) is used interchangeably with other related concepts like competence and competences in the literature. This complicates the analysis further (Lodge & Hood 2005). For the purpose of this study, a general approach is taken towards this conceptualisation debate. What is important, however, is that despite the overwhelming overlaps and differences in conceptualisation, the preferred choice is contingent on the context and the jurisdiction the terms are used.

For this study, the notion of "attributes underpinning behavior like knowledge, skill and attitudes" tendered by Moore and associates (2002), Boyatzis (1982) and Nordhaug and Gronhaug (1994) is used as the key reference for competencies. Their analyses provide a logical deduction by using a comprehensive conceptual framework. In essence, not only does their formulation emphasise individual attributes like skills, knowledge and attitude, but equally important is the fact that most PICs, including Fiji, perceive this concept in the same dimension.

Moore, et al (2002), Boyatzis (1982) and Nordhaug and Gronhaug (1994) posit four competencies (competence areas) that are regarded as vital for public managers: task competence, professional competence, administration/political competence and ethical competence. This theoretical framework is based on the findings of earlier writers on the issue, nevertheless, its emphasis is on what Virtanen calls "value competencies" or "commitment" (Horton 2000; Virtanen 2000). On the other hand, Noordegraf (2000) claims that effective public managers are "professional sense-makers". This is noted from observing the behavior and action of twelve public managers working for different public agencies in the Netherlands. Accordingly, public managers face ambiguous situations and goals and are compelled to make sense of these based on their readings of political preferences and institutional settings. Cohen and Eimicke (2002: 16) describe the goals of public organisation as "shifting goal posts because of shifting political priorities; effective public managers are those who are able to adapt programs accordingly and build organisational resilience to meet a change of course". While the studies discussed earlier certainly contribute to the quest for competencies of effective public managers, the competencies are broad in scope and are not specifically for public enterprises dealing with the commercial arm of government.

A study by Thach and Thompson (2007) ranks twenty-three competencies that are regarded as important to public managers in order of importance. Morley and Vilkinas (1997) also provide a list of competencies essential for Australia's senior executive service (SES) both at the federal and state levels. While the latter does not rank competencies in order of importance, the study, nevertheless, provides some ideas for international comparison where possible.

It is apparent that there are overlaps and differences amongst the

many studies contributing to the literature. This reaffirms the notion that there is no "generic model" of management. Managerial competencies vary from one jurisdiction to another due to situational differentials. That said, it is beyond contention that competency is widely hailed as the key to managerial and organisational success and without doubt has been a familiar concept for managers and organisations recently and in the distant past, in both the private and the public sectors. Armstrong (1999) and Hondeghem (2002) view competencies as factors contributing to high levels of individual performance and organisational effectiveness. In fact, competencies are seen as a means of changing the bureaucratic organisation to a more modern and flexible unit (Hondeghem 2002). Many organisations are now using competencies in performance management and development (Rowe 1995), and linking competencies to rewards (Cira & Benjamin 1998; Cofsky 1993).

### **Research Methodology**

Interviews and detailed discussions were held through focus group meetings with twelve CEOs, and thirty-eight senior managers of twelve GCCs in order to obtain a list of key competencies required to manage government commercial companies. The rationale for the interview was to obtain good insight into senior managers' ground knowledge on competencies critical to the effective management of GCCs in Fiji. From the focus group meetings, a wide range of competencies (20) were obtained. Table 1 presents the list of twenty competencies that CEOs and senior managers of GCCs suggested during the interview process.

Following focus group meetings, a questionnaire was circulated to the same senior managers to rank the competencies they had suggested in order of importance using the Likert scale. The Likert scale was utilised, as respondents in the study found it quite simple and easy to comprehend. From fifty questionnaires sent to respondents, fifty questionnaires were completed and received. This indicates a usable response rate of 100 percent.

### **Findings and Analysis**

Table 1 presents the mean and standard deviation of responses for the twenty competencies, arranged in descending order. The top three competencies support the theoretical argument about leadership as an essential competency for public organisations undergoing substantial changes. On the other hand, it could also be argued that the top ranking given to these three competencies reflect the reform message sent to senior managers of GCCs. Apparently, there was pressure on them to perform by delivering agreed results. Senior managers were also expected to show strong leadership in determining the direction GCCs should take and

**Table 1**  
Competencies for Senior Managers of Government Commercial Companies  
in Fiji

Rank	Competencies	Mean	Standard deviation
1	Performance-oriented	4.78	0.42
2	Leadership	4.73	0.50
3	Visionary	4.71	0.51
4	Self-confidence	4.66	0.53
5	Transparent	4.61	0.59
6	Teamwork	4.61	0.54
7	Customer-oriented	4.61	0.49
8	Empowering	4.59	0.50
8	People management	4.59	0.50
8	Self-knowledge	4.59	0.59
9	Communication	4.56	0.50
9	Honesty	4.56	0.71
10	Commercially oriented	4.54	0.60
11	Problem-solving	4.51	0.51
12	Strategic	4.49	0.55
13	Hardworking	4.37	0.66
14	Managing conflict	4.34	0.69
15	Flexible	4.32	0.65
16	Intelligent	4.29	0.64
17	Stress management	3.83	0.77

importantly to change the culture from bureaucratic to a business mindset.

While the top five competencies clearly reflect the government's agenda to push for a strong turnaround in the performance of GCCs, it is interesting to note that some of the key competencies that complement sound performance and leadership like "intelligent" and "hardworking" are at the bottom half of the table. "Intelligent", for instance, is critical to good leadership. Intelligent managers make good leadership decisions not average managers. "Hardworking" is also closely related to performance. A substantial increase in productivity is a result of "hardworking", not the opposite.

Moreover, it is evident that honesty is a critical competency in the case of Fiji because of the content of its culture and economic status. With respect to the former, Fiji values collectivism culturally. The practice of

nepotism and favoritism is prevalent in government agencies. Since the military takeover in late 2006, the contracts of CEOs of six GCCs have been terminated for unethical and unprofessional behavior, where their honesty and poor judgment have been questioned (Amosa 2010). The result shown in Table 1 presents the lack of attention devoted to this valuable competency for managers of GCCs.

In consideration of the competitive environment in which GCCs are now operating and the forces of globalisation, it is apparent that strategic management skills are crucial for managers in charge of GCCs. GCCs should learn to adapt and prepare themselves not only for the upcoming challenges presented by the global market, but also to align their organisational resources and capabilities that are in line with their strategies, so as to win competitive battles. It is management's role to analyze strategically and capitalise on strengths while trying to overcome the weaknesses. It is the competent manager's job to foresee the opportunities and be able to implement strategies to tap into the opportunities and, at the same time, design action plans to battle the threats posed by the ever changing external environment. Unfortunately, this competency is ranked fifth from the bottom by managers of GCCs.

### **Conclusion**

This study confirms leadership as a critical competency for public enterprises undergoing a transitional period. Second, the study also assumes a direct relationship between the selection criteria for public managers and the competencies they perceived to be important. This conclusion perhaps needs more testing. This study also confirms extensive similarities between the competencies of senior managers of GCCs in Fiji and those working abroad. It also highlights the conventional notion of generic management skills and how these skills vary from one country to another in terms of importance depending on the jurisdictional environment.

The study, on the other hand, also raises a question about some of the competencies critical to strong leadership and sound performance like "intelligent", "hardworking" and "honest". In essence, strong leadership does not exist in a vacuum. Leaders need to be intelligent, hardworking and have integrity in order to be recognised and respected by others in the organisation. Obviously, these competencies should be at the top of the list; however, this is not the case. These competencies are found at the bottom half of the list.

Overall, it appears that there is an urgent need for the authority responsible for the appointment of senior managers in Fiji to revise its policy with respect to the appointment of GCC managers in Fiji. Obviously, the environment in which GCCs are now operating is relatively different from what it was prior to the reform. Government commercial companies

are now functioning in a competitive environment that requires a totally different set of managerial competencies. While leadership is important in this environment, other competencies that are integral to strong leadership like "intelligent", "hardworking", "strategic thinking" and "honesty" are equally important if leadership in GCCs is to carry any weight. Unfortunately, these are given less priority by the senior GCC managers consulted for this study. This probably accounts for the poor performance of GCCs ten years following the reform.

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