

INDIGENIZATION AND THE RISE OF THE TECHNOCOMPRADOR IN THE NIGERIAN PHARMACEUTICAL INDUSTRY: A CONCEPTUAL STATEMENT

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Abstract

The illusions and failures that greeted the hopes and promises of political dependence engendered a new post-independence transition programme the fashioning of a successor economy, controlled by the local triad of indigenous investors, indigenous managers and the successor state. The study of the policy of indigenization programme in the context of the Pharmaceutical industry reveals that the indigenization of ownership and management in the sub-sector has failed to transfer the desired control to local actors. The paper concludes that, the emergence of a technocomprador in place of the technostructure found in the Northern hemispheric industry exposes the philosophical and intellectual poverty of Nigeria's programme of indigenization.

Indigenization and the Rise of the Technocomprador in the Nigerian Pharmaceutical Industry: A Conceptual Statement

As has been documented elsewhere, it is within the general framework of an envisioned successor economy controlled by the local triad of indigenous investors, indigenous managers and the successor state: - that the wave of indigenization programmes that became fashionable in the post colonial Afro-Asia axis can be rationalized and justified. Thus, as early as June 1971, the intention of the Federal Government to adopt a policy of indigenization was hinted; the green light as given in the Second National Development Plan. On equity indigenization the plan declared:

"The government will seek to acquire by law of necessity, equity participation in a number of strategic industries that will be specified from time to time".

On manpower indigenization, the plan also declared

One of the factors, which tend to reduce the benefits of industrialization to Nigeria, is the employment of a large number of foreign nationals, who receive considerable sums in the form of salaries and allowances (and repatriate them to their home countries). In order to reduce this "Leakage" government will intensify its effort to ensure, not only that high level Nigerian personnel are employed by private industry but also that they are given responsibilities commensurate with their training and experience.

This development culminated in 1972 indigenization Decree which was captioned Nigeria Enterprises Promotion Act. The Decree which became effective March 31, 1974, recognized two schedules of enterprises. Enterprises under schedule I, were those reserved exclusively for Nigerians, while those under schedule II attracted 40 percent Nigerian participation. However, several weaknesses in the decree came to light and a commission of inquiry set up in 1976 by the government resulted in the second indigenization Act of 1977. Unlike the first decree, the new one recognized three schedules of enterprises. Enterprises under schedule I were set aside exclusively for Nigerians, while schedule II covered enterprise in which Nigerian's were expected to hold at least 60 percent of the equity shares. Schedule III contained enterprises in which Nigerians were to hold at the equity shares. Compartmentalization under the two decrees was meant to reflect the level of technological intensity.

The euphoria that greeted these two decrees in the 1970's notwithstanding, they were both repealed

in the late 80's and early 90's. How did this development fare? What informed the rethinking of government? Was this change of policy the right option in the circumstance? Would a change of gear not have served better?

This paper attempts to examine the extent to which personnel and management indigenization in the international pharmaceutical sub-sector (Nigeria) wrested control from expatriates to local managers following the implementation of indigenization programmes.

The paper is organized under six sections. Section I presents background discussion while section II captures the response of the multi-national pharmaceutical formula upon plants to the policy of management indigenization. In section three, managerialism is revisited as a framework of policy. Section four discusses organizational substitution; section V discusses the technocrat while the concluding Section (VI) presents two worlds in one.

Management Indigenization In The Sub-Sector

Thirteen multinational pharmaceutical formulation plants were covered in our survey. However, only 11 plants provided information. Out of the 588 managers in the sub-sector, only 28 were expatriates (reading ratio: 1:21 (considerable sub-sectoral management indigenization). The position in the sub-sector improved from ratio: 1: in 1972 and 74 to 1.21: by 1982.

Breaking down into specialized functional areas, staff and line management, we found that out of 106 line management positions (including finance and marketing) 81 were Nigerians while 25 were expatriates. Out of the 21 top management positions (including M.D., Chief Executive, GM and Deputies) 8 were Nigerians, while 13 were expatriates. Out of the 12 Chief Executives only 3 were Nigerians while 9 were expatriates. There were 85 management positions in production and technical, 73 were held by Nigerians while 12 were held by expatriates. This trend has led to a fall in utilization of expatriate allocation.

Similarly, the directorates of these companies had been steadily indigenized. Out of the 28 executive directors in 1977, only 9 were Nigerians while 19 were expatriates. But of the non-executive Directors in 1977, 14 were Nigerians while 7 were

expatriates. This situation continued till 1979 with Nigerians dominating the non-executive arms while expatriates dominated the executive arms.

This trend however changed by 1982; of the 57 executive Directors in 12 plants in 1982, 30 were Nigerians while 27 were expatriates. Out of the 44 non-executive directors 31 were Nigerians while 13 were expatriates. Nigerians had dominant shares at both executive and non-executive arms. Glaxo and Pharmchem had no Nigerians executive Directors until 1978. What this recent development suggests is that the emergence of Nigerian directorships (particularly at the executive arm) owes much to the 1977 indigenization policy.

A quick look suggests considerable indigenization of management including vital technical positions in the plants covered. A fundamental question arises. Has the ceding of management positions to indigenous staff been followed with ceding of control of the plants? On this score, we adopted the methodology of phenomenological sociology in order to capture actors' perception of their work roles. The general pattern of response was that the New Nigerian Managers exercise limited control and on strategic issues and corporate values are controlled from overseas command posts.

Managerialism

The prevailing view of the managerialist is that the logic and internal dynamics of the political economy of the late capitalism have engendered the expropriation of control of the modern corporation from the capital owning class by the managers. Management, it is held, has acquired absolute power which has transformed the modern corporation.

"... The direction of industry by persons other than those who have ventured their ownership".

Culminating in

"...ownership of wealth without appreciable control and control of wealth without appreciable ownership".

In explaining this expropriation of control by managers, Palmer () summarized the views of the managerialists.

"Control of the corporation is not usually a matter of ownership of a majority of the stock by one

person or a small group. When Stockholders are numerous and widespread with no single stock holder owning very much of the stock, their control of the corporation is likely to be weak and its managers will have de facto control of the corporation.

This formulation forms the matrix of a theory of managerial capitalism. This corporate revolution is held to have aborted the modern capitalist state of the revolutionary propensity thrust on it by the crisis and contradictions of capital. It is argued that non-capital owning class; the functionaries of capital or a congeries of elites in control of the new productive assets have emerged, thereby dislocating the fundamental basis of the old structure.

However, the early theories of managerialism failed to explain the basis of the sudden shift of control from owner to managers. It was enough simply to posit an unsophisticated explanation that shares were so dispersed in the modern corporation that the individual right of ownership became so insignificant that stockholders could no longer exercise any meaningful control, which was then usurped by the managers.

This neglect is partly explained by the fact that the theory as originally conceived by Berle and Means was a counterthesis to Marx's theory of the inevitable overthrow of the capitalist class by the proletariat. Not much attention was therefore given to the basis of the shift in control necessitated by the imperatives of organizational complexity, technological revolution and the challenge of planning science.

Galbraith addressed this issue in 'The New Industrial State'. He points out that neither the owners of stock nor management control the modern corporation. He argued that control and decision making have passed to a new factor of production which according to him,

"...Embraces all who bring specialized knowledge, talent or experience to group decision making. This, not management, is the guiding intelligence the brain of the enterprises. There is no name for all who participate in group decision making or the organization which they form. I proposed to call this organization the 'technostructure'.

The question we can now raise is, how useful is the

theory of managerialism as a framework for an alliance model of indigenization? Our analysis of the data from the sub-sector negates the formulation of the managerialists. Nigerian managers stated that they do not exercise control but rather play an advisory role in such areas as personnel selection and marketing; moreover, headquarters are not obliged to take their advice. They maintained that they only exercise control in the appointment of distributors and the choice of market locations. This trend suggests the need for a reformation of the theory of managerialism especially as it affects the multinational corporations and indigenous managers operating subsidiary plants in host countries.

What might suggest itself as a plausible explanation for the crisis indigenous managers in the sub-sector is the phenomenon of organizational substitution predicated on management fronting. We now examine this practice in order to discover how it has undermined indigenization in the sub-sector.

Organizational Substitution and Management Fronting

These two concepts refer to two sides of the same coin. Organizational substitution refers to a corporate diplomatic device where managerial positions are normally ceded to indigenous managers, while at the same time depriving such position of their decision making power. This is done by referring to headquarters decisions that would naturally and routinely be made locally if the multinational plants were not being pressed by the state to indigenize management positions.

It is the gap between role indigenization and management indigenization, fostered by this strategy that has made management fronting possible. Management fronting is possible where and when organizational substitution has matured. In other words, it is the application of the substitution approach to management that automatically engenders management fronting. We now need to define management fronting in more concrete terms.

Fronting as common parlance in Nigeria is an offshoot of the policy of indigenization. Conventionally, it is applied to capture a practice whereby foreign companies (following the equity indigenization policies of 1972 and 1977) would cleverly internalize foreign equity holdings by financing the shares of interested Nigerians on the

promise that the third party would receive a token commission. In this process, nothing leaves the plant as the equity sold as well as the money going into the purchase (which the company supplied) returns to the company. This type of fronting is the most popular and widely recognized act of sabotage and collaboration. Management fronting is a far more indigenous and debilitating variety of fronting. It defines a peculiar structure of dependency relations in which the indigenous managers operate without performing managerial role because they are guided and controlled from the head office.

Management fronting must not be confused with traditional window dressing. While the latter refers to the ceding of directorships that have no executive functions and responsibilities, as well as management positions in personnel, public relations and legal services, to the indigenous managers, the former captures a situation in which even line management positions are ceded to indigenous managers but without any strategic functional anchorage. Management fronting therefore, is more embracing. It reflects the totality of organizational dependence while traditional window-dressing refer to intra-corporate relationships, whereby peripheral management positions are filled by indigenous managers who are inferior in training and experience to their local expatriate counterparts.

We can now raise some questions. Has the indigenous manager accepted the expropriation of his instruments of control because it pays off or because he has no alternative? Does the indigenous manager in the sub-sector constitutes a technostructure and possess the information and knowledge typical of that class? Is the relationship between indigenous manager and the head office designed to promote the objectives of the Nigerian State or the objectives of the corporation? These questions form the theme of our next discussion.

The Technocomprador: An Underdeveloped Technostructure

Has the sub-sector developed an indigenous technostructure? This is the issue we now need to address in order to explain why the emergent Nigerian managers are unable to exercise control over indigenized plants.

The hallmark of the technostructure, according to Galbraith is the monopoly of scientific knowledge and information; the Nigerians managers in the

sub-sector are lacking in this respect. The bulk of the scientific knowledge and information required for decision making are not needed for the type of production activities going on the sub-sector. Formulation specific and finishing specific production technologies requires no special skill, as does the complex technology dictated by manufacturing specific activities. The structure of production technology therefore places the Nigerian managers at the lower end of the vertical structure. All major technical decisions are formalized before they reach the Nigerian affiliates. This structure implies that the process technology that gives pre-eminence to the technostructure are denied the Nigerian line managers. Even the staff managers suffer the same handicap. Thus personnel managers complained that they had no knowledge of the promotion criteria of a certain category of staff. The same thing applies to wages and salaries. Cases abound of salary vouchers being prepared in the United Kingdom and the United States of America. The emergent personnel manager is therefore lacking adequate knowledge of wages administration and the allocation of responsibilities. Therefore, the Nigerian manager in the sub-sector is simply an auxiliary technostructure. We propose to call this auxiliary element the 'Technocomprador'.

The failure of the technocomprador to transform into a technostructure is explained by the nature of technology utilized in the sub-sector. Technology in the sub-sector exists in a package form composed of peripheral and core component. Three elements of the components can be identified. These are organization, operative and proprietary technologies.

Organization technology refers to the skills and techniques needed to co-ordinate the human and material resources of an enterprise in order to produce the desired goods. These include production, marketing, personnel, administrative and financial management skills and techniques that are defined by the type of goods produced and therefore specific to the corporation. These management activities do not necessarily imply the control of the enterprises involved because they are based on the existing management culture of the corporation. This partly explains the persistence of the management styles of the parent companies in the organization of nationalized industries in the LDCs.

Operative technology in the sub-sector refers to

the technical skills and know how applied in the physical operation and maintenance of machineries used in the production of drugs. It includes elements of knowledge that are needed for the application of core proprietary technology in the production of drugs. These technology types are mainly standardized engineering and technical skills used in drug compounding, formulating, packaging and finishing processes. These are the only production technologies used in the sub-sector. These elements are peripheral and non-proprietary in the sense of being kept secret or protected under patent monopoly by the parent companies. Multinationals in the sub-sector have been willing to implant this category of technology (in the sub-sector) for three reasons. The first is the difficulties involved in importing a massive number of artisans and technicians from the home state go operate the imported machineries. Secondly, operative technology skills are not secret know-how, and their implantation in the sub-sector does not threaten the competitive advantage of the multinationals. Finally, the bulk of the initial skills required by this type of technology is acquired through formal education and/or training outside the sub-sector.

The third component, proprietary technology is generally firm specific and often jealously protected. It derives mainly from the R&D activities of the parent companies. This is core component of the technology package and it is not implanted in the subsector. Proprietary technology manifest itself in basic process design, engineering design, formula, incorporation and performance data and pilot plant information. Propriety technology constitutes the centre-piece of activity upon which the firm's survival depends, and it is the body of knowledge that enables the parent companies to exercise control over affiliates. The R&D activities that mark proprietary technology account for patent monopoly by the multinationals in the sub-sector as well as the imbalance in the distribution of power between the parent companies and affiliates; this is to be found in the technical agreements. It is at the level of proprietary technology that the information and knowledge that define the technostructure are located.

While the peripheral components (organization and operative technology) have been implanted in the sub-sectors as has been demonstrated by the rapid indigenization of line and staff management positions, the core component (proprietary

technology) which defines who exercise control in the sub-sector continues to remain the exclusive preserve of the head offices. The dependency which proprietary technology perpetrates and the profits that accrue to the parent companies from this dependence explains the reluctance of the parent companies to implant proprietary technology in the Nigerian sub-sector. It is only when parent companies implant proprietary technology by building up an indigenous technostructure that the indigenous managers can exercise control over the indigenous subsidiaries.

We can now raise two more questions. Given that parent companies do not implant proprietary technology because of their desire to retain control over the affiliates, how do we justify an alliance model of indigenization that neither embraces domestic R&D nor the adoption of positive policies on technology transfer and assimilation? Secondly, what is the implication of preventing indigenous managers (particularly line management) from gaining access to proprietary technology?

It is precisely the intellectual poverty of the technocomprador that has necessitated management fronting. The dependence of the technocomprador on the technostructure at the head office is the managerial reincarnation fo the dependence of the Nigerian comprador bourgeoisie. And it is the handicap suffered by the technocomprador that explains the dependence of the Nigerian economy. Thomas has summarized the character of the technocomprador.

"As a result of their position within the multinational firm and the dependence relationship which the multinational corporations generate, there is no room for creative innovation. Technological dependence reproduces itself through the systematic generation of a certain type of manpower; people capable of assembling durable consumer goods, but not of designing them, people who produce but lack any creative relationship to technology".

What is the composition of the technocomprador/ Since we are restricting our discussion to the sub-sector, we shall analyze two categories of the technocomprador both of which are industrial workers in the sub-sector. The first category is composed of those workers in the sub-sector who have training in pharmacy, engineering, medicine and management. Unlike those in the Galbraithian

technostructure, they are deficient in the knowledge of the manufacture of the basic chemicals. They do no R&D and their role in the plant can be played by any person without specialist knowledge. They simply maintain a trading post relationship between the headquarters and the plants. Although the second category forms part of the first, it also differs because at this level, the worker assumes a more direct and visible comprador position. This is the class of worker that has been able to use the power conferred on them by the policy of indigenization to appoint themselves distributors of the plants products. This class plays multiple roles. This category is a denationalized class of trader/manager, transformed by the quest for accumulation into a labour aristocracy.

The emergence of the technocomprador is not a peculiar characteristic of the peripheral capitalist economies. It has become a world-wide phenomenon necessitated by the imperatives of managing the emergent global corporations whose organizational characteristics call for a high degree of centralization. On this score, the Chairman of Robins, a British subsidiary of one of the multinational corporations, had this to say:

"The manager of a subsidiary must accept that he enjoys a subordinate status and that a subsidiary company is an organ of the parent company, and that policy is basically formulated and handed down by the parent company.

The actual control of subsidiary plants is measured by the control over its capital expenditure, its products, and especially its opening budget. This has the exclusive preserve of the parent companies. This global compradorization of manpower at the subsidiary plants was also remarked upon by a senior British Executive of Ford's subsidiary at Dagenham. After he and more than twenty other British executives had quit, he complained,

All these are controlled by Americans over here, and ultimately by Detroit. The amount of papers flowing to Detroit and back is unbelievable.

The basic misunderstanding that the indigenization of the management of a multinationals plant means the indigenization of control is rooted in the prevailing misconceptions of the multinational corporation and the place of the affiliates within the multinational corporate

system. The affiliates that we studied are not firms but plants and for this reason it is not possible to indigenize their control. On the score, Thomas noted,

"It is essentially a plant. It is not a firm. It is true that there are titles such as directors, managers, managing directors etc. but the local (manager) expressions... makes no decision as regards prices... output... levels of investment or the markets. All these are done at the head office, where decisions which normally define a firm are made. The apparatus which exists locally is just a participation in a multi plant firm. Therefore, when we seek meaningful participation, it is not simply to acquire a share in the local apparatus, but to ensure that inroads are made into the decision making centres which exists in the North Atlantic".

The only way to indigenize the control of these plants is to indigenize their proprietary technology and rupture their ties with the parent companies; this will no doubt call for an entirely different model of indigenization. If this is not done, the head offices will forever capitalize on the growth of the technology of instant communication to reticulate managerial responsibilities and instruments of control in favour of the parent companies.

Summary; Two worlds In One

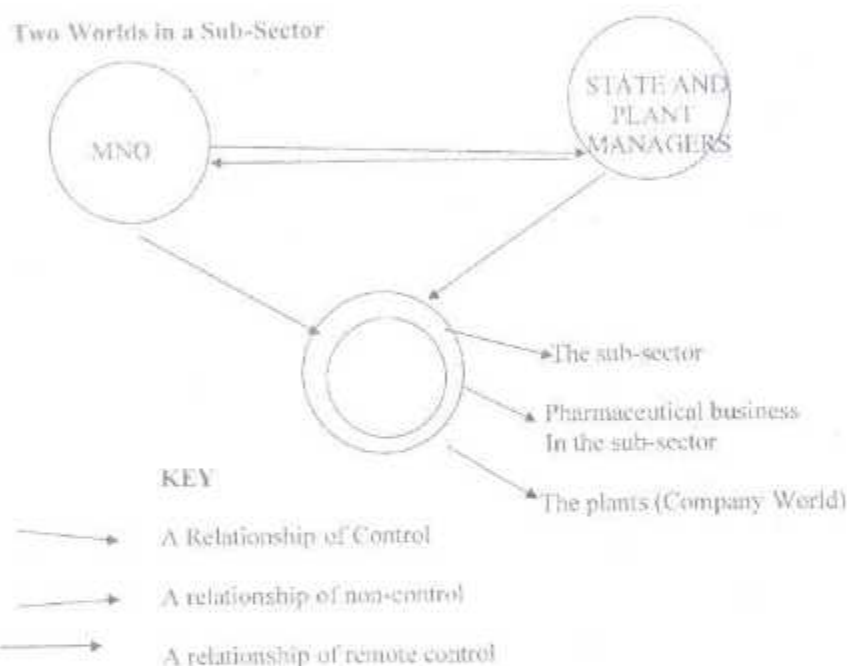
We have presented empirical evidence to show that the sub-sector has responded to the policy of management indigenization. We have also shown that this response has not transferred the control of the indigenized plants to the indigenous managers in the sub-sector. We have also noted that the adoption of an alliance model in indigenization that does not aim at the acquisition of core technologies, which determines the growth of the technostructure, has simply fostered the growth of a technocomprador class and hence the practice of management fronting.

However, with the emergence of the technocomprador came two spheres within each plant we have chosen to call this development "Two worlds in one". Within each plant is to be found the company world (dominated by the head office) and the business world dominated by the technocomprador). The company world is composed of such strategic corporate assets as physical and proprietary technology, investment capital, production process, raw materials and

components, industrial plans and buildings (including furniture and equipments therein) which are controlled by the parent company. The business world is artificially separated from the company world. It is composed of such activities as products sales and distribution, as well as the appointment of locals distributors. The relationship (of control) between the two worlds is diagrammatically represented in the figure below.

As the figure shows, the policy of indigenization and emergence of a technocomprador has

dualized the sub-sector along a control and decision axis, corresponding to the separation of the pharmaceutical business form the plants. At one end of the axis is to be found multinational pharmaceutical formulation plants controlled directly from the head quarters through the instrumentality of technical agreement and the use of technocomprador as an executive class. This control can take the form of the appointment of key personnel's who are forced down the throat of the Nigerian manager under threat of Negative or positive sanctions.



Other forms of control over the company would include choice of production techniques, expansion and contraction decision, choice of supplies, costing and pricing, payment of dividends, labour policies and bank borrowing as well as R&D policies. All these are the prerogatives of the parent company.

At the other end is to be found the pharmaceutical business world which is controlled by the emergent technocomprador, made up of indigenous managers and directors. This control takes the form of the appointment of local distributors and the formulation of local marketing policies (excluding the pricing of finished goods in local markets, although the indigenous managers act in an advisory capacity in this respect). However, it can be seen that some control over the plant everyday business is even

expropriated by the parent companies. This for instance, could be achieved through pricing policies. In addition, the volume of finished goods in the sub-sector is not only a function of the volume of raw materials supplied by the parent companies, but is also related to head office production policies which might aim at reducing or increasing output in order to maximize corporate profitability or attain non-profit motivated objective. Therefore, the volume of pharmaceutical business in any plant or within the sub-sector is remotely controlled by the headquarters.

On the other hand, the technocomprador has no control over the company world, but this is not to say that the class does not influence the plants decision at all. They do act in advisory capacity but such influence can be very benign at best. The

relationship between the state and the multinationals is equally complex. It is difficult to posit a relationship of control over the multinationals. The imposition of a limit on dividends repatriation and royalty payment as well as the policy of indigenization itself testify to the ability of the state to control the multinationals in the sub-sector. However, it must be noted that on issues that have technological import, the state tends to be generally powerless.

One important fact that now emerges is that the indigenization of core technology is the critical issue, but which cannot be resolved by the alliance model of the indigenization being currently pursued. It is only the adoption of an indigenization policy predicated on the development of an indigenous scientific and technological estate that offers hope.

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