

NOTE TO PRESIDENT BUHARI -
On corruption and mismanagement in Nigeria.
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President Buhari has announced a 'war against corruption' which has been widely welcomed. It has also led to much public debate. However there are many issues that have been bundled together under the one label 'corruption' and it is important to separate them. Some might argue that all one is doing is arguing about words but the great Chinese sage once was asked what would be the first thing he would do if he had power and he answered: correct the use of words. Using the wrong words could lead to misdirected policies as well as misdirected public debate.

There are three matters - bribery, larceny/theft, mismanagement. There are no widely accepted definitions of 'corruption' but generally it is understood to refer to public officials using their position to obtain private benefit. In most people's minds corruption will refer to the acceptance of bribes to either change official decisions or to allow official decision to be enforced but also to those who put their hands directly into the treasury. This however leaves the issue of mismanagement unexplored. Far too often people assume that mismanagement is caused by corruption and that if corruption is removed there would no longer be any mismanagement. This is a very important issue in the public debate and needs to be challenged.

Consider the following companies A, B, C and D. All have sales of \$100m. In company A the manager is corrupt and seeks a percentage (for the sake of example let us say 15%) of any significant transaction. He is also mismanages the affairs of the company. The company makes large losses and goes bankrupt losing shareholders the whole value of the company say \$125m while the manager collects \$15m. Now consider company B where the manager is corrupt but is a good manager and manages the company's affairs well. At the end of the year the company makes a profit of \$5m and the manager collects \$15m however the value of the company remains \$125m. In the case of company C the manager is entirely honest but seriously mismanages the company and in the event the company also goes bankrupt losing the shareholders the whole value of the company \$125m though the manager makes no personal profit. Lastly, we consider company D where the manager is both good and honest and in this situation the company makes a profit to shareholders of \$20m and the value of the company increases to \$250m. Let us consider a hypothetical concrete example: Abuja airport has marble floors. Marble has been used to overcome our poor maintenance culture as it will last for many decades with little maintenance. Consider a Minister of Aviation who in order to collect the percentage on the purchase order, orders the destruction of the marble to be replaced by tiling which obviously requires regular maintenance. Here the economic costs to the country are many times in magnitude the percentage obtained from the purchase order. Behind most of this behaviour is a belief that the country will not survive and so the rational choice is to grab as much as possible while you can.. 'apres moi, le deluge!' A self fulfilling belief if ever there was one.

What this shows is that the cost of mismanagement is many times greater than the costs of corruption. To put this in clearer focus: some times a person will, in order to steal \$5m, cause \$50m or much more damage to the country! That is BOTH corruption and mismanagement and unfortunately the country sees it as one thing, but we should not get rid of corruption and leave mismanagement in place.

Why does this matter? It matters because it means that currently the public focus moves away from seeking good or excellent management to focussing upon personal probity. This is in no way to lower the importance of personal probity but there needs to be a refocus of the public debate to focus not only on corruption but also on mismanagement so that there should be a 'war on corruption AND mismanagement'. As Confucius explained: words matter.