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Proactive Business Rescue Strategies for Leveraging the Contemporary State-Owned Enterprises' Continuity and Sustainability

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Abstract

In South Africa and across the world, state-owned enterprises play instrumental roles of creating and providing the required services in sectors like energy, air transport, rail, insurance, banking and water transport to the population. State-owned enterprises are also instrumental generators of government revenue. Unfortunately, despite the business and economic values of state-owned enterprises, proactive initiatives are often not adopted to improve the business sustainability of most state-owned enterprises. To respond to such a gap, this study uses integrative review to evaluate a combination of the proactive business rescue strategies that the state-owned enterprises can adopt going forward. Findings from integrative review indicated the most common forms of business rescue strategies used in South Africa and around the world to often entail the introduction of government's financial bailout. Other rescue strategies have often prompted the use of outsourcing in situations where the government feels it is difficult to properly manage and run the struggling state-owned enterprise. If the government is not using such approach, findings indicated the introduction of public-private partnership. With the private sector engaged, the state-owned enterprises can be engaged in innovation that creates new values to re-vitalize their performance. Unfortunately, even as the government uses a combination of these business rescue strategies, chronic problems like politicization of board appointments, inefficient operational management and poor financial management are often not addressed with the hope that just financial bailout and business rescue will do the desired magic of turning around the performance of the struggling state-owned enterprises. Unfortunately, that is often not the case. Instead during the business rescue of most struggling state-owned enterprises, the success of such strategies has often still been saddled by a range of such problems. To proactively deal with the problems causing failure, it is suggested that the government must not wait for failure to arise. Instead they must take the initiative of proactively identifying and mitigating problems of politicization of board appointments, chronic inefficient operational management and poor financial management. Once these problems are ameliorated, it can become easier for the government to introduce more successful business rescue strategies.

Keywords: Business Rescue, State Owned Enterprises, Proactive Business Rescue Strategies

1. Introduction

Business rescue is the strategic process of taking actions to save a business which was bound to fail from falling into liquidation and failure. It requires usage of a combination of strategies like debt restructuring, grant of financial bailout, leadership change as well as sale and disposition of the less value generating properties [1]. This enables a business re-direct its resource allocation towards the investment in more revenue generating business activities. Business rescue is essential for preventing a business from experiencing complete failure. It entails the introduction of a combination of turn around strategies that prevent the business from falling into liquidation. In the cases of state-owned enterprises, such initiatives may be accompanied with the provision of government bailout plans to recapitalize the business with additional financial resources and capital [2]. As the government applies such initiatives, some of the business rescue strategies may work in the short and medium term to turnaround the business' overall effective performance. Other initiatives like the investment in innovation may take some time to be achieved as research and lengthy processes of research and development may have to be undertaken to develop new products or services that revitalize the business' overall effective performance. Such initiatives improve the capabilities of financially distressed companies to recover from the unfolding crisis or risks of failure [3]. Common features of business rescue plans are often reflected in the fact that they are initiated prior to a business' insolvency, as a temporary initiative, as an independent process, as a restructuring business exercise and in creditors' approval. In terms of business rescue plan as an initiative initiated prior to insolvency, it is discernible that business rescue is a proactive strategic action that prevents the business from failure. It is the strategic process that analyses the business and the unfolding situations to detect risks of impending failure as well as the causes of such failure [4]. The business rescue process evaluates the situation to not only understand the causes, but also the magnitude of the unfolding situation to cause risks of failure. This enables proactive strategies to be initiated and introduced to prevent the business from the risks of failure.

Besides the proactive feature of the business rescue plan, it may also have a temporary aspect, meaning it may offer temporary solutions. In turn, such temporary solutions are intended to aid the capabilities of the failing business to introduce initiatives that improve its overall long-term financial sustainability [5]. During situations where the business needs recapitalization due to lack of financial resources, the government will provide the financial bailout. The financial bailout is just a temporary solution which is aimed at helping the collapsing state-owned enterprise rebound to profitability. Even if there are several stakeholders who must be consulted and involved during the business rescue process, the overall process is still an independent initiative. To respond to the principles of transparency and accountability in the Public Finance Management Act, the business rescue process is supposed to use an independent process conducted and controlled by an independent audit organization [6].

Usage of an independent audit organisation improves the objectivity and fairness of the analysis to discern whether the business really needs any form of financial support. It is from such objective assessment that meaningful interventions are undertaken to develop and apply the remedies that are essential for preventing the business from falling into bankruptcy. In addition to the independent nature of the business rescue plan, the process of business rescue is also characterized by restructuring to reduce waste, reduce costs, improve operational efficiency and merging of structures to bolster activities' coordination, communication and control [7]. Business rescue is part of the organisational restructuring initiative aimed at turning around a firm's performance. It goes hand in hand with restructuring for the reason that as state-owned enterprises evolve and grow to respond to its critical business vision and mission, it may develop structures that become amorphous and costly to control and maintain. Even if developed by an independent consulting organisation, the business rescue plan must also be approved by the majority of the creditors. In South Africa, the process of business rescue is governed by Chapter 6 of the Companies Act 2008.

In the UK, the process of business rescue is regulated under the Administration and Company Voluntary Arrangements, as in the US, all the business rescue initiatives are initiated and managed under Chapter 11 Bankruptcy of the Company Laws [8]. However, in South Africa, the regulatory framework governing business rescue extends beyond the provisions of Companies Act 71 of 2008 to include Public Finance Management Act (PFMA) 1 of 1999, State-Owned Companies Directive (Department of Public Enterprises-DPE Guidelines), National Treasury Regulations (issued under PFMA) and Court Interpretations and Case-Law. In the Companies Act 71 of 2008, business rescue is regulated under Chapter 6 that deals with business rescue and compromises. Under Chapter 6, actions can be brought for the development of business rescue plan to save state-owned enterprises that are financially distressed [9]. Though this legal provision deals with the business rescue for all the state-owned enterprises, its limitation arises from its failure to deal with some state-owned enterprises like Transnet and Eskom that are managed by their founding statues or Act of Parliament.

In addition to Companies Act, Public Finance Management Act requires state-owned enterprises to be governed and run in a more transparent, fair and responsible way. In the event of financial distress and risks of failure, the decision for business rescue can only be made by the board with the approval of the National Treasury. In the event of a financial distress, the National Treasury Regulations prescribe the processes for reporting to parliament and developing the initiatives for seeking approval for the bailout funds to be released to the designated state-owned enterprises [10]. In that process, the State-Owned Companies' Directives Developed by the Department of Public Enterprises emphasise the need for early identification and response to state-owned enterprises' financial distress. If there is need for government intervention, it suggests the business rescue plan must be aligned with the larger policy of the government. This ensures the capabilities of the business rescue process to not only rescue the financially distressed state-owned enterprises, but also to do it while responding to the larger needs of the South African economy.

In that process, business rescue must save jobs, create more jobs and boost economic growth and development. Even if these regulations and guidelines offer interesting insights on how business rescue for state-owned enterprises must be managed, the challenge often arises from jurisdictional overlap between the provisions of Companies Act and Public Finance and Management Act) [11]. In addition to political bureaucracy and delays affecting the development and implementation of business plans, other challenges often arise from funding shortages due to the over-stretched public resources, and resistance from the general public, parliament, civil society organisations and negative media publicity. Just like in the private sector, business rescue for state-owned enterprises is often instigated by a combination of variables causing or influencing the risks of business failure. Such variables are often depicted in financial mismanagement and poor competitiveness leading to failure. Other causes of business failure may arise from leadership and governance issues, market dynamics, operational inefficiencies, external shocks and stakeholder management issues. Financial mismanagement may stem from ineffective management of the business' cash flows [12]. If the business is unable to exercise control and influence to improve its accounts receivables by increasing revenue from sales whilst also

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controlling unnecessary expenditure, it can cause shortage of finance. It can cause liquidity issues that affect the ability of the business to accumulate adequate financial resources that can be used for financing its unfolding short-term financial obligations. In normal business operations, liquidity issues can often arise to affect the business' effective performance [13]. However, if it persists over a long time because the business is unable to resolve it, such liquidity issues can cause problems leading to the business' failure.

Failure arises from the inadequate capital finance that the business may have for meeting its day to day business activities as it unfolds. Combined with persistent failure to pay debt, this can lead to insolvency and bankruptcy. This is because as the business fails to manage its debt and it accumulates, the amount owed increases because of rising interest rates and other charges [14]. If the failure of the business is not arising from poor accounts receivables or poor debt management, it can arise from poor financial planning or contingent planning. If financial planning is not accompanied with an accurate forecasting and contingent planning, it can easily be affected by major failure that arise to affect the business' response. The business may fail to respond because it did not plan and put in place the required financial resources for meeting such a challenge. Some business failures arise from the use of poor business model that does not encourage change and innovation [15]. Yet as the market continues evolving, poor change and innovation may affect the capabilities of the business to innovate, create and introduce new products to respond to the unfolding industry dynamics. Poor business model may also not support investment of adequate financial resources in continuous innovation and improvement. It may also limit effective quality management and cost controls as the ways of leveraging a business' competitiveness. If combined with failure to embrace new technologies, this can cause a business' failure [16]. Because as the other businesses embrace new technologies to become competitive, the failure of the business to adopt new technologies may affect its ability to outcompete the emerging new competition threats driven by the introduction of such new technologies.

Yet as technology related changes cause failure, risks of failure may also arise from poor leadership and governance issues like usage of inexperienced managers and leaders causing inability of the business to read and respond to the emerging new industry dynamics [17]. In that process, arguments may arise to cause unmanageable conflicts among board members. If these are not the problem, poor leadership and governance issues can also cause the inculcation of unethical practices and behaviours. This can lead to the entrenchment of corporate fraud, accounts falsification, theft and embezzlement that erode the resources essential for the business to invest and realize the desired business outcomes. In addition to these, failure to deal with operational inefficiencies, poor stakeholder management and board conflicts as well as market shocks can also cause the failure of most businesses [18]. If the business fails, business rescue theories explaining a combination of the strategies that can be adopted to influence the business' recovery encompass Jackson's (1986) "Creditors' Bargain Theory", Baird and Rasmussen's (2002) "Contractarian Theory", Freeman's (1984) "Stakeholder Theory", Posner's (1998) "Economic Efficiency Theory", Ogus' (2004) "Public Interest Theory", and LoPucki's (2003) "Managerialist Theory". Jackson's (1986) "Creditors' Bargain Theory" states that business rescue can only be undertaken if all the creditors or majority of them consent about the need for business rescue to be undertaken. If all the creditors have not consented, it can cause disagreements and conflicts that affect the successful implementation of the required business rescue plan.

Baird and Rasmussen's (2002) "Contractarian Theory" argues that business rescue is part of the implicit contract between creditors and shareholders. It argues that it implicitly assumes that in the event of a financial distress, the required business rescue plan is contained in the contingent plan that can be introduced to offset any of the creditors' claims. However, Freeman's (1984) "Stakeholder Theory" suggests that in the event of financial distress, decision on the business rescue strategies to be undertaken must be made by all the stakeholders. This can prevent conflicts emerging from stakeholders like suppliers, employees, customers, financiers, communities and government to cause negative public opinion that affects the successful implementation of the required business rescue strategies. Posner's (1998) "Economic Efficiency Theory" states that if business rescue would rebound the business back to operational efficiency and profitability; it would be worth undertaking as compared to leaving the business to fall into liquidation.

However, if the business rescue would benefit the entire economy and society to create jobs, generate tax revenue and provide essential goods and services, Ogus' (2004) "Public Interest Theory" suggests that it would be worth undertaking as compared to leaving liquidation to take its course. LoPucki's (2003) "Managerialist Theory" insinuates that for business rescue to be successful, it is essential to leave the current crop of managers to be in charge of its implementation. This is because they tend to know the business better as well as what led to its financial distress. In that regard, the existing managers are posited to to be better placed to help the business recover from its downward trajectory of failure. However, critics caution that if it is the same crop of managers that led to risks of failure, how can the same managers be expected to do well during the business rescue process that often requires a lot of caution. It is the failure to address such questions that have often caused the cyclical failure and rescue of several South African state-owned enterprises. To discern what causes that, the section below describes the methodology which was used to accomplish the evaluation of the causes of business failure among the South African state-owned enterprises, the successes of business rescue and the improvement initiatives that can be adopted going forward.

2. Methodology

In the quests to evaluate the behaviours of state-owned enterprises that lead to crises requiring the conceptualization and application of the appropriate business rescue strategies,

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the study used integrative review. Integrative review is one of the qualitative methods for critical content analysis [19]. It emphasises the gathering, analysis and utilisation of the interpretations from all forms of relevant meaningful articles published on the subject being investigated. Integrative review differs from systematic review or meta-synthesis and meta-analysis that only uses the peer-reviewed studies. Quite often just like systematic review and meta-synthesis, the integrative review study is conducted when a lot of studies have been conducted in the area being evaluated [19]. It is such insights that motivated the use of integrative review in this study. This is because a lot of studies have been conducted on the business rescue of state-owned enterprises experiencing poor performance related challenges. Though most of the studies do not deal with the evaluation of the proactive business rescue strategies that state-owned enterprises can adopt, it was interpreted that the proactive business rescue strategies that the state-owned enterprises can adopt can be easily extracted from the existing studies. To accomplish that, the process of integrative review used in this study was structured according to four steps encompassing [20].

- Formulation of Integrative Review Questions
- Literature Analysis and Search
- Literature Extraction
- Data Analysis

Details of how each of these steps was applied are as elucidated below.

2.1. Formulation of Integrative Review Questions

To ensure the gathering, analysis and reliance on only the studies that were relevant to the study, the integrative review questions were formulated to explore the following areas:

- What are the major causes of business failures in most state-owned enterprises?
- What proactive internal interventions have the state-owned enterprises often undertaken before seeking for government actions to prevent or mitigate the risks of business failure?
- What proactive government approaches have been undertaken to prevent state-owned enterprises from experiencing business failure?
- What are the limitations of the internal actions undertaken by state-owned enterprises as well as government to prevent or rescue the state-owned enterprises from business failure?
- What proactive business rescue model can be adopted to prevent the risks of state-owned enterprises from experiencing business failure?

Once the integrative review questions were formulated, the process of literature analysis and search commenced with the motive of identifying relevant literature.

2.2. Literature Analysis and Search

Literature search is the systematic process of evaluating and discerning the literature which are relevant to the study [20]. To accomplish that, literature search is often guided by some keywords that influence the assessment and identification of only the articles and information relevant to the study. In this study, the key words which were used included “State-Owned Enterprises”, “Rescue Strategies”, “Proactive Business Rescue Strategies”, “Limitations of Proactive Business Rescue “And “The Future of Proactive Business Rescue Strategies”. Major search engines used in literature analysis and search included Google, Web of Science, PubMed and Scopus.

2.3. Literature Extraction

While using these keywords and the above indicated integrative review questions, the process of literature analysis and extraction commenced [20]. However, during the articles’ analysis and extraction, it was only the articles meeting these criteria that were extracted and used in the study. The articles had to have been published in English. It also had to have accessible full text since articles reflecting only summary or abstracts were excluded from the study. Once all the relevant studies were identified, they were extracted and subjected to analysis and interpretation.

2.4. Data Analysis

The analysis each of the gathered articles was accomplished using thematic analysis [19]. In the first instance, the analysis was conducted on each article with the motive of identifying and extracting themes and their accompanying chunks of texts that explain the major causes of business failures in most state-owned enterprises, as well as the proactive internal interventions that the state-owned enterprises have often undertaken before seeking for government actions to prevent or mitigate the risks of business failure. After such analysis, the analysis was also accomplished with the motive of identifying and extracting themes and their accompanying narratives on the proactive government approaches undertaken to prevent state-owned enterprises from experiencing business failure. These were followed with the extraction of themes and chunks of texts explaining the limitations of the internal actions undertaken by state-owned enterprises as well as government to prevent or rescue the state-owned enterprises from business failure. Through such analysis, the study was able to discern the proactive business rescue model that can be adopted to prevent the risks of state-owned enterprises from experiencing business failure. In that context, below are the details of the findings.

2.5. Findings

Findings from integrative review indicated the most common forms of business rescue strategies used in South Africa and around the world to often entail the introduction of government’s financial bailout. Other rescue strategies have often prompted the use of outsourcing to outsource the accomplishment of activities that the government feels it is difficult for the government to properly manage and run [2]. If the government is not using such approach, findings indicated the introduction of public-private partnership. With the private sector engaged, the state-owned enterprises can be engaged in innovation that creates new values to re-vitalize its performance. As the government introduces such business rescue strategies, some studies argue that it is expected to also deal with the problems of

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board appointment's politicization, corruption, financial mismanagement and chronic problems of inefficient management [21]. Unfortunately, even as the government uses a combination of these business rescue strategies, such problems are often not addressed with the hope that just financial bailout and business rescue will do the desired magic of turning around the performance of the struggling state-owned enterprises. Instead during the business rescue of most state-owned enterprises, the success of such strategies has often still been saddled by a range of problems arising from [1,3,5,22].

- Politicization of Board Appointments
- Chronic Inefficient Operational Management
- Poor Financial Management

Details of each of these themes are evaluated as follows.

2.5.1. Politicization of Board Appointments

It is not just the case in South Africa, but even across the world. Integrative review indicated the politicization of board appointments as part of the smogs affecting the successful implementation of the required business rescue strategies. In event that the state-owned enterprises are experiencing poor performance and need bailouts, studies indicate the government to have often provided the required bailouts. However, during the bailouts, the appointments of the personnel who are expected to steer the state-owned enterprises out of the crisis situations are often not based on competence, but cadre deployment [6]. Political affiliations tend to override decisions of recruiting and deploying the best chief executive officers and business leaders on the basis of merit.

Of course, the appointed political cadres often have some good educational qualifications, but such qualifications or experience may not be relevant for deployment as the main business leader in the struggling state-owned enterprises that need the best business leadership. This limited capability affects the ability of the struggling state-owned enterprises to easily recover from the crisis [7]. It affects the conceptualization and implementation of the best business rescue strategies for the state-owned enterprises to quickly come out of the crisis. Yet as the board and the top leadership have a mix of the politically connected and the merit-based appointed personnel, conflicts of ideologies tend to arise to affect good business performance. Conflicts arise from the personnel who feel that they have the requisite political connections to dictate the operational terms for managing state-owned enterprises [4]. This contrasts with the thinking of those appointed on merit to feel that they have the unique intellectual knowledge and skills to dictate the terms and conditions on which the designated state-owned enterprises must be run and managed.

Yet as most state-owned enterprises experience such challenges, politicization of board appointments also suggest if the political leadership of the country changes, the top leadership of most state-owned enterprises may also be affected. New political leadership of the country also comes with their new insights and policy changes. These change the tone of the political barometer and dynamics of the country. If the top business leaders of the state-owned enterprise are not politically aligned with the new political group leading the country, it tends to cause poor communication and lack of cooperation [8]. During the implementation of business rescue strategies, these cause turbulences and dynamics that affect the seamless implementation of the strategies essential for the affected state-owned enterprise to quickly recover from the crisis. However, in the absence of political interference, most studies agree that effective leadership influences the successful implementation of business rescue strategies [9].

Even before a crisis unfolds, good business leaders are constantly on the lookout for any signs or signals of future failure. This aids the introduction of proactive strategies that can prevent or mitigate the risks of failure. It is the top management and leadership of the state-owned enterprises that often plan, and mobilize the required stakeholders' support and resources for the implementation of the required business rescue strategies. These good aspects of leadership contrast with the situation where there is political interference in the management of state-owned enterprises [12]. Political interference in board management also affects good governance of the state-owned enterprises. It causes circumstances where poor accountability, governance and transparency also creep in because the politically connected individuals feel that they can do away with some accountability and good governance rules because they are politically connected. Because politicians fear public criticisms, high. level of board politicization, also means that some of the activities of the state-owned enterprises may also not easily be disclosed to the public [10]. This affects accountability with the effect that during the implementation of the required business rescue strategies, it often becomes difficult for the media and the general public to assess whether the implementation of the business rescue strategies is influencing the attainment of the desired business recovery outcomes. While compounded by political interference, integrative review also revealed chronic inefficient operational management to affect the successful implementation of the required business rescue strategies.

2.5.2. Chronic Inefficient Operational Management

It is due to chronic inefficient operational management that most of the state-owned enterprises often get plunged into a state of poor financial management inducing a financial crisis. But as the government introduces the financial bailout to rescue the affected state-owned enterprises, the bailout is often not accompanied with the initiatives for eliminating the chronic inefficiencies causing failure [11]. The implication is that once the bailout is introduced, it just takes a few years before the state-owned enterprise fails again to require government bailout. This causes wastes. Poor management causing operational inefficiencies arise from the fact that in exceptional cases, state-owned enterprises as truly they are, are considered as owned by no one. They are considered as government institutions. As the state-owned enterprises that generate profits for the good of the overall country and not the specific individual [13]. This kind of thinking causes discomfort affecting ownership of the activities within the state-owned enterprises. It psychologically affects the introduction of thinking and practices encouraging good organisational citizenship.

Unless the top management takes serious steps, that kind of unsupportive psychological mindset can cause the thinking where most employees work for the sake of working without the commitment and initiatives of ensuring the state-owned enterprises become successful. In other words, it is part of such problems that often motivate the political group ruling the country to intervene and interfere in how the state-owned enterprises are managed and run [14]. They feel that if state-owned enterprises begin to perform well, it is the ruling political party that gets the credit for influencing and turning around the performance of the state-owned enterprise which was about to fail. In such situations, the introduction and implementation of various business rescue strategies tend to become more successful. It is such political environment that supports its success. But in situations where the state-owned enterprises are left on their own, problems of mismanagement often arise. If the employees feel that they do not have a future in that organisation, they may act irresponsibly. If the problem is not addressed, this may cause the failure of the state-owned enterprise. It is such problems inducing chronic operational inefficiencies that prompted Margaret Thatcher, the former British Prime Minister of the 1980s to introduce privatization.

Privatization aimed to improve the efficiency of governmental operations by outsourcing or even selling and privatizing the management of key state-owned organisations [15]. Once the state-owned enterprises are placed in private hands, it improves accountability and the extent to which all the personnel are able to act responsibly. It introduces a feeling of ownership that motivates the top management and employees of state-owned enterprises to take actions, with the required commitment to ensure the business achieves the desired outcomes. During the implementation of the required business rescue strategies, it is the existence of such good management approach that influences the successful implementation of the required business rescue strategies. To eliminate the problems of chronic inefficient management of state-owned enterprises, some studies suggest that the top management and the employees of state-owned enterprises must be carefully selected and provided with the highest level of job security. If the employees feel secured in their jobs, they may tend to act responsibly [17]. This can eliminate the problems of chronic inefficient management. Unfortunately, the problems of chronic inefficient management often transfigure into the major issues causing poor financial management.

2.5.3. Poor Financial Management

Poor financial management is one of the problems affecting the successful implementation of the required state-owned enterprises. Most state-owned enterprises have weak internal control systems. This often causes corruption, theft and embezzlement of the funds generated from various ventures run by the state-owned enterprises. It is often these problems of weak internal controls that induce problems affecting the effective performance of the state-owned enterprises [18]. If the government comes in to provide the required financial bailouts, it is still the same poor financial management and controls that affect the effective utilization of the bailout funds in the way that leverages the business' faster recovery from the crisis. Most state-owned enterprises engage in the accomplishment of lucrative revenue-generating commercial activities like energy development and sale, managing and running state airlines, rail system, roads, accident funds, insurance, pension funds and other revenue generating activities. But in most of the cases, because of poor financial management and control, the generated revenues are often squandered [18].

The generated funds are spent without caps or controls on the permitted expenditures. The employees tend to reward themselves with a lot of funds as salaries, wages and allowances. This causes waste of the financial resources that could have been used for generating other sources of revenues. Even if the state-owned enterprises generate and control a lot of funds, they are never used for exploring the new ventures that can be created to generate more revenues [21]. Most state-owned enterprises are poorly innovative. They rely on the same revenue generating ventures for years and years without exploring to emerge with the best alternative sources of revenue. The effect is that with time, changes in trends tend to introduce turbulence that cause poor financial performance. Once the poor financial performance mutates to the situation where the government is required to make a financial bailout, it is still such poor financial management and innovativeness that affect the effective utilization of bailout funds in the way that aids faster recovery from the crisis. While the same poor internal controls cause the loss of bailout funds due to corruption, theft and embezzlement, the investment of the bailout funds in the same loss-making ventures cause the business to fail [22]. Unless the introduction of government financial bailout is accompanied with the elimination of such problems, most state-owned enterprises often end up operating in the cyclical state of poor financial performance. Subsequently these cause their failure.

3. Conclusion

In South Africa and across the world, state-owned enterprises play instrumental roles of creating and providing the required services in sectors like energy, air transport, rail, insurance, banking and water transport to the population. State-owned enterprises are also instrumental generators of government revenue. This enables governments bridge their funding gaps to respond to the various dichotomous needs and preferences of the population. Unfortunately, despite the business and economic values of most state-owned enterprises, proactive initiatives are often not adopted to improve the business sustainability of most state-owned enterprises. Most state-owned enterprises are often left to struggle and fail. Once they fail, interventions are undertaken by government to provide the required financial bailout. But even if bailouts are provided, they are never accompanied with the elimination of some of the major impediments arising from the politicization of board appointments, chronic inefficient operational management and poor financial management. To proactively deal with the problems causing failure, it is suggested that the government must not wait for failure to arise. Instead they must take the initiative of proactively identifying and mitigating problems like politicization of board appointments, chronic inefficient operational management and poor financial management.

Once these problems are ameliorated only for the state-owned enterprises to experience genuine failures arising from unintended mistakes of top management, it can become easier for the government to introduce financial bailout packages that can permanently address the risks of failure. While dealing with the chronic failure of most state-owned enterprises, the government will also need to not only inject more funds, but also encourage state-owned enterprises to be more innovative. Instead of just relying on the traditional revenue-generating ventures, state-owned enterprises must be encouraged to enormously invest in research and innovation that explore and create new revenue generating ventures. This would eliminate the reliance of state-owned enterprises on just a few revenue generating ventures that often cause failure because of poor sales.

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