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FACULTY OF ECONOMICS AND MANAGEMENT

Management Department named by Professor L.I. Mykhailova

QUALIFICATION WORK

by first (bachelor) level of higher education

of the topic: **Improvement of the management system at the enterprises**

Performed by:

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TASK
on thesis for student

MOSES AYOBAMI BABALOLA

1. Theme of Thesis: Improvement of the management system at the enterprises

2. Base of research Nigerian National Petroleum Corporation (NNPC)

Supervisor Associate Professor Liudmyla O. Dashutina
approved by the university from

№

3. Deadline for student completed project (work) *June, 25 2025*

4. Background to the project (work):

educational and methodological manuals, monographs, textbooks on the subject of the study, scientific publications, statistical information, financial statements of the enterprise for 2022-2024.

5. Contents of settlement and explanatory notes (the list of issues to develop):

consider the theoretical and methodological foundations of the implementation of the planning function at the NNPC enterprise; carry out an analysis, assess the state of implementation of the planning function in the NNPC enterprise; identify the main functioning problems in the organization's planning system; to propose further options for improving the planning system in the company under study.

6. Date of assignment:

September, 15 2024

CALENDAR PLAN

№	Name of the diploma project's stages	Dates of project stages' performance	Note
1	Definition and approval of the thesis, preparation of the plan - schedule of work	September 2024 y.	done
2	Selection and analysis of literary sources, the preparation of the first theoretical chapter	October – December 2024 y.	done
3	Preparation and presentation of draft of the first chapter of the thesis	January – February 2025 y.	done
4	Collection and processing of factual material, synthesis analysis of application issues in the enterprise	March – May 2025 y.	done
5	Making the theoretical part of the thesis, summarizing the analytical part	April 2025 y.	done
6	Design options improve the research problem	May 2025 y.	done
7	Completion of the project part of the thesis, design chapters	28 May – 06 June 2025 y.	done
8	Previous work and its defense review	28 May – 06 June 2025 y.	done
9	Checking the authenticity of the thesis	11 June 2025 y.	done
10	Deadline for student completed the thesis	11 June – 16 June 2025 y.	done
11	Defense of the thesis	25 June 2025 y.	

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Checking the authenticity conducted.

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Nadiya BARANIK

Thesis allowed for defense

(signature)

Svitlana LUKASH

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INTRODUCTION

Research background. In today's highly competitive and rapidly evolving global business environment, enterprises are increasingly challenged to optimize their internal operations to remain relevant and profitable. One of the most significant factors influencing organizational success is the efficiency and adaptability of its management system. A well-designed and continually improved management system enables firms to effectively coordinate resources, respond to external pressures, and pursue strategic goals (Deming, 1986; Drucker, 1999).

Over the decades, traditional management systems—often bureaucratic and inflexible—have proven insufficient in addressing the demands of modern markets characterized by technological disruption, globalization, and rapid consumer shifts. These traditional models frequently suffer from poor communication flows, unclear responsibilities, and a lack of responsiveness to change (Mintzberg, 1983; Kotter, 1996). Consequently, enterprises, particularly in developing economies, have been encouraged to redesign their management frameworks to improve productivity, innovation, and service delivery (Porter, 1985; Hill & Jones, 2012).

The introduction of integrated management systems (IMS)—which combine quality, environmental, and occupational health standards (e.g., ISO 9001, ISO 14001)—has provided a structured path toward enhanced efficiency and stakeholder satisfaction (Zeng et al., 2007). Similarly, the application of lean management principles, including waste elimination, value stream mapping, and continuous improvement, has been widely adopted to increase operational excellence (Womack & Jones, 1996).

Furthermore, the current era of digital transformation places additional demands on management systems. Enterprises are now expected to incorporate data-driven decision-making, automation, and agile methodologies to keep pace with industry changes (Westerman, Bonnet & McAfee, 2014). However, the successful adoption of these tools

requires a parallel evolution in organizational culture, leadership, and employee capability development (Schein, 2010).

Despite these developments, many enterprises continue to struggle with system improvements due to various internal and external constraints. Common barriers include resistance to change, inadequate strategic alignment, limited investment in human capital, and a lack of managerial competence in change management (Burnes, 2017; Cameron & Green, 2015).

Therefore, this study investigates the strategies and frameworks for improving management systems within NNPC enterprise. By understanding best practices and analyzing successful case studies, it aims to offer practical solutions for enhancing organizational performance and achieving sustainable development.

Research statement of the problem. Despite the increasing awareness of the need for efficient and adaptive management systems, many enterprises—particularly in emerging and developing economies—continue to operate under outdated, rigid, and inefficient management frameworks. These legacy systems often fail to support innovation, responsiveness to market dynamics, effective resource utilization, and employee engagement. As a result, organizations face persistent issues such as low productivity, poor service delivery, delayed decision-making, and a lack of strategic alignment.

Moreover, the rapid pace of globalization and digital transformation has further exposed the limitations of traditional management practices. Enterprises are now required to be agile, technology-enabled, and customer-focused to maintain their competitiveness. However, many lack the internal capacity or structured frameworks to implement necessary improvements to their management systems. Issues such as resistance to change, inadequate leadership, fragmented processes, and poor communication channels continue to hinder progress.

While integrated management systems (IMS), lean management techniques, and strategic planning models have been proposed and tested across industries, their implementation remains inconsistent and often superficial. This inconsistency raises critical questions about the effectiveness of current improvement efforts, the relevance of adopted models to specific organizational contexts, and the actual impact on overall performance and sustainability.

Thus, the core problem this study seeks to address is:

How can enterprises effectively improve their management systems to enhance operational efficiency, adaptability, and long-term competitiveness in a rapidly changing business environment?

The purpose of the research is to study and generalize the theoretical and practical aspects of the planning system in the basis of the management of the NNPC enterprise.

To achieve the set goal, the following **tasks** must be solved:

- consider the theoretical and methodological foundations of the implementation of the planning function at the NNPC enterprise;
- carry out an analysis, assess the state of implementation of the planning function in the NNPC enterprise;
- identify the main functioning problems in the organization's planning system;
- to propose further options for improving the planning system in the company under study.

The object of the research is to carry out the planning process in the enterprise management system.

The subject of the research is a set of theoretical, methodological and applied principles of the planning function in NNPC management system, determination of ways of further improvement in the management settings of the organization.

The practical significance of the obtained results lies in the fact that the planning system in the leading transnational technological concern NNPC was analyzed within the

framework of the conducted research and ways of its improvement were proposed.

When writing the qualification work, the author used the following **research methods**: analysis and synthesis, systematic approach, method of scientific knowledge, grouping, formation of tables, structural analysis, graphic method.

Information base. In the course of the study, the author used the following sources: educational and methodological manuals, monographs, textbooks on the subject of the study, scientific publications, statistical information, financial statements of the organization for 2022-2024.

Approbation of the results of the qualification work. The results of the study were approved at an international scientific and practical conference.

1. Dashutina L.O., Moses Ayobami Babalola. Improvement of the management system at enterprise. Економічна аналітика: сучасні реалії та прогностичні можливості [Електронний ресурс] : матеріали тез II Міжнародної науково-практичної конференції. Україна, Київ: КНЕУ, 2025. С. 206-208.

Structure and scope of work. The qualification work consists of an introduction, three sections, conclusions, a list of used sources of 7 titles. The text of the bachelor's qualification paper is laid out on 61 pages of computer text, the work contains 5 tables, and 5 pictures, appendixes.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL ASPECTS OF ORGANIZING AN ENTERPRISE MANAGEMENT SYSTEM

Enterprise management systems (EMS) are organized frameworks through which businesses coordinate resources, activities, and personnel to achieve organizational goals. A well-structured EMS integrates strategic objectives, operational processes, human resource functions, and information systems into a coherent management model. The development of such a system requires a robust theoretical foundation and well-defined methodological tools.

The theoretical component guides what should be done and why, while the methodological component explains how it should be done. This dual framework supports informed decision-making, systematic planning, execution, monitoring, and continuous improvement. The roots of enterprise management systems lie in classical management theory, which laid the groundwork for structured administrative practices. Frederick Taylor's Scientific Management: Focused on task optimization, time-motion studies, and labor specialization. Henri Fayol's Administrative Theory: Emphasized planning, organizing, commanding, coordinating, and controlling (POCCC). Max Weber's Bureaucratic Theory: Advocated for a structured hierarchy, formal rules, and impersonality in administration. These theories emphasized efficiency, structure, and authority, shaping early management systems in industrial organizations.

Behavioral and Human Relations Approaches. Elton Mayo's Hawthorne Studies: Emphasized the role of social relations and employee satisfaction in productivity. Maslow's Hierarchy of Needs & Herzberg's Two-Factor Theory: Focused on motivation and the importance of addressing psychological and safety needs. McGregor's Theory X and Theory Y: Proposed contrasting views of employees as either inherently lazy or self-

motivated. These insights underscored the human element in management, advocating for participative decision-making and organizational culture. (See figure 1.1)

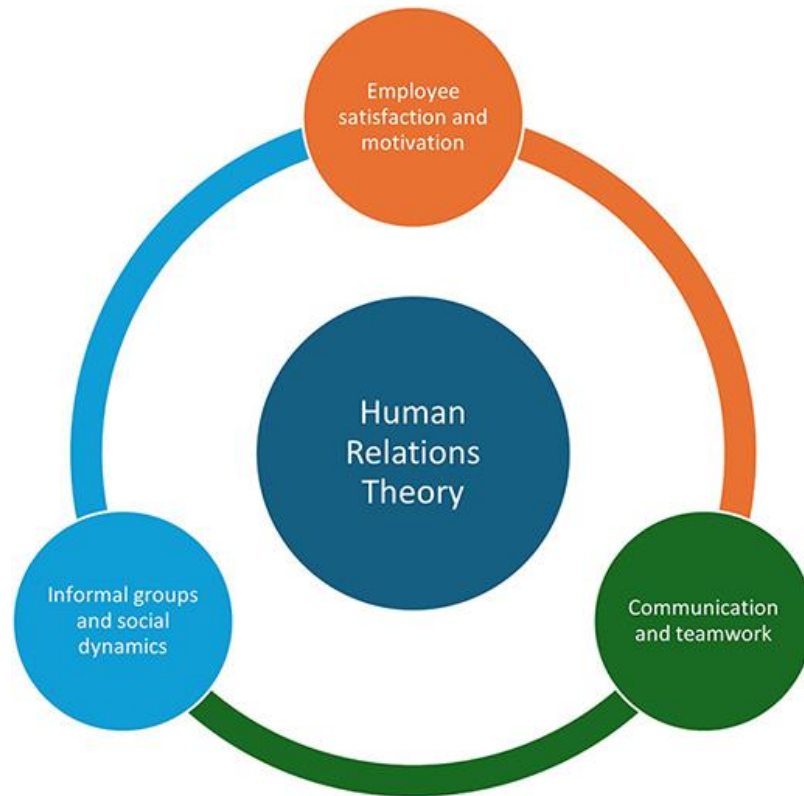


Figure 1.1 - Behavioral and Human Relations Approaches

Source: Jeff Short ([CC BY: Attribution](#))

At the core of organizational management reform is Systems Theory, which views an organization as a complex, interrelated set of subsystems working together to achieve common goals Von Bertalanffy [1]. NNPC, as a large and multifaceted enterprise, functions within a broader socio-economic and political system. Improving its management requires aligning its internal components—such as human resources, technology, finance, and operations—with external demands including regulatory frameworks, market dynamics, and stakeholder expectations. Systems Theory supports a holistic view of reform, emphasizing integration, feedback, and adaptability.

Institutional Theory provides a lens through which the structural transformation of NNPC, particularly under the Petroleum Industry Act (PIA) 2021[2], can be understood. The theory posits that organizational behavior and reform are heavily influenced by institutional norms, rules, and pressures the shift from a government agency to a limited liability company was driven by the need for legitimacy, accountability, and alignment with global best practices. Institutional reforms aim to enhance efficiency, transparency, and governance—key aspects that NNPC’s new management system is expected to uphold.

The application of Change Management Theories, particularly Kotter’s 8-Step Change Model, is essential in understanding the transitional journey of NNPC. Kotter [3] outlines key steps such as establishing a sense of urgency, forming a guiding coalition, creating a vision for change, and institutionalizing new approaches. These steps are relevant to the management improvement process at NNPC, as the company navigates cultural, structural, and operational change toward becoming a performance-driven enterprise.

NNPC’s transition to a commercially oriented enterprise is also supported by Agency Theory, which addresses the relationship between principals (government/shareholders) and agents (management). The theory emphasizes the need for proper incentive structures, performance monitoring, and accountability to reduce agency costs Jensen & Meckling [4]. By adopting corporate governance mechanisms and aligning managerial actions with shareholder interests, NNPC aims to improve transparency and operational outcomes.

The Resource-Based View Barney, [5] highlights how organizations gain competitive advantage through the effective management of valuable, rare, inimitable, and non-substitutable (VRIN) resources. NNPC’s reform efforts focus on leveraging its human capital, technological infrastructure, and strategic partnerships to build a sustainable and competitive enterprise in the global oil and gas market.

The improvement of the management system at NNPC Limited is grounded in a blend of theoretical frameworks that explain how organizations evolve, adapt, and perform under reform conditions. The combination of Systems Theory, Institutional Theory, Change Management, Agency Theory, and the Resource-Based View provides a robust theoretical foundation for analyzing the transformation of NNPC from a state-run corporation to a modern, competitive enterprise.

The basis for improving the management system at the Nigerian National Petroleum Company (NNPC) Limited stems from both internal inefficiencies and external pressures that have historically undermined the organization's performance and credibility. As Nigeria's state-owned oil enterprise, NNPC has long played a central role in the country's economic development. However, for decades, the company was plagued by issues such as lack of transparency, weak corporate governance, bureaucratic bottlenecks, and financial inefficiencies. These challenges necessitated a comprehensive overhaul of its management system to realign the organization with global best practices in the petroleum industry.

One of the most critical foundations for the improvement of NNPC's management system is the enactment of the Petroleum Industry Act (PIA) 2021. This law restructured NNPC from a state-run entity into a limited liability company (NNPC Limited). The shift from a government-funded corporation to a commercially driven enterprise serves as a legal and structural basis for reform, allowing the company to operate more like a private-sector organization with profit motives, financial independence, and corporate accountability.

The global oil and gas industry is highly competitive, and national oil companies must operate efficiently to survive and thrive. Prior to its transformation, NNPC was often criticized for inefficiency in its operations, including delays in project execution, losses from poorly managed refineries, and over-reliance on government funding. The basis for improvement, therefore, lies in creating a leaner, more agile management system with

modern operational practices, digital infrastructure, and performance-based evaluations to improve efficiency and reduce costs.

Public outcry and global stakeholder pressure have driven the need for enhanced transparency and accountability in NNPC's operations. International financial institutions, civil society groups, and investors have all called for greater disclosure of financials and operational data. The basis for management improvement includes the integration of corporate governance frameworks, independent auditing, public reporting of revenues and expenditures, and the alignment of NNPC's policies with transparency initiatives such as the Extractive Industries Transparency Initiative (EITI).

As a restructured entity, NNPC Limited is now guided by corporate governance principles typical of private-sector firms. These include the appointment of a board of directors, separation of ownership from management, and adoption of clear Key Performance Indicators (KPIs) and strategic objectives. The basis for management improvement here is the need to instill a culture of accountability, meritocracy, and professionalism across the organization.

The Management Function Cycle Enterprises are organized and managed using cyclical management functions:

Planning: means defining performance goals for the organization and determining what actions and resources are needed to achieve the goals. Through planning, management defines what the future of the organization should be and how to get there. Strategic plans are long-term and affect the entire organization. A strategic plan bridges the gap between what an organization is and what it will become. Tactical plans translate strategic plans into specific actions that need to be implemented by departments throughout the organization. The tactical plan defines what has to be done, who will do it, and the resources needed to do it.

Organizing: Once plans are made, decisions must be made about how to best implement the plans. The organizing function involves deciding how the

organization will be structured (by departments, matrix teams, job responsibilities, etc.). Organizing involves assigning authority and responsibility to various departments, allocating resources across the organization, and defining how the activities of groups and individuals will be coordinated.

Controlling: There is a well-known military saying that says no battle plan survives contact with the enemy. This implies that planning is necessary for making preparations, but when it's time to implement the plan, everything will not go as planned. Unexpected things will happen. Observing and responding to what actually happens is called controlling. Controlling is the process of monitoring activities, measuring performance, comparing results to objectives, and making modifications and corrections when needed. This is often described as a feedback loop, as shown in the illustration of a product design feedback loop.

Leading: Nearly everything that is accomplished in an organization is done by people. The best planning and organizing will not be effective if the people in the organization are not willing to support the plan. Leaders use knowledge, character, and charisma to generate enthusiasm and inspire effort to achieve goals. Managers must also lead by communicating goals throughout the organization, by building commitment to a common vision, by creating shared values and culture, and by encouraging high performance. Managers can use the power of reward and punishment to make people support plans and goals. Leaders inspire people to support plans, creating belief and commitment. Leadership and management skills are not the same, but they can and do appear in the most effective people.

It is very difficult to motivate people when plans involve radical change, particularly if they include downsizing and layoffs. Many people are naturally resistant to change. When the change means loss of jobs or status, people will be very resistant. At ThyssenKrupp, the labor unions vehemently opposed the shift from steel production to elevator manufacturing. Although the people involved in the new business functions were

excited by the plans, people involved with steel production felt abandoned and demotivated. Management would have been wise to get union support for its vision of the company's new future. (See figure 1.1).

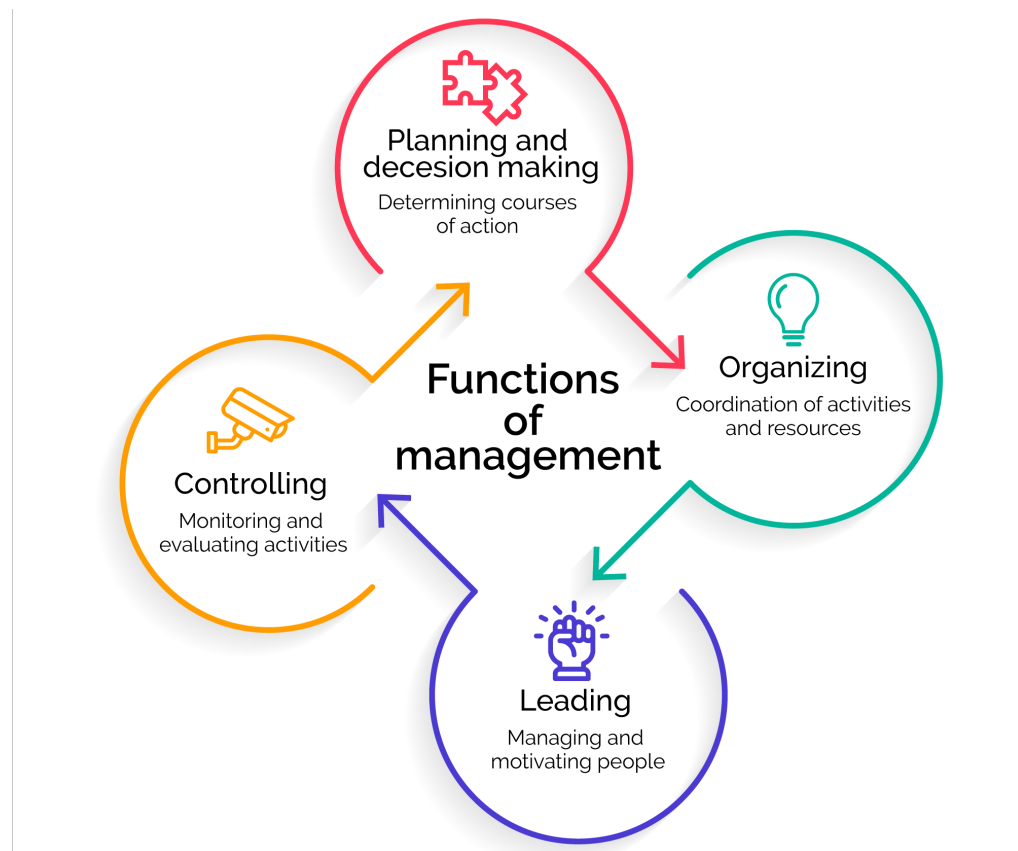


Figure 1.2 - Management Function Cycle

Source: https://commons.wikimedia.org/wiki/File:Business_Feedback_Loop_PNG_version.png

The true effectiveness of an enterprise management system lies in the seamless integration of theoretical principles and methodological tools. Theories guide the "why" and "what", while methodologies operationalize the "how".

The organization of an enterprise management system is a dynamic, multi-faceted endeavor that requires a balance between theoretical grounding and methodological execution. By understanding and integrating classical and contemporary theories with

robust management methodologies, organizations can build effective, adaptable, and resilient management systems. As the business environment continues to evolve, so too must the design and operation of enterprise management systems to ensure competitiveness, sustainability, and long-term success.

CHAPTER 2

THE CURRENT STATE OF ENTERPRISE MANAGEMENT OF THE ENTERPRISE NIGERIAN NATIONAL PETROLEUM CORPORATION

The Nigerian National Petroleum Company Limited (NNPC Ltd) is undergoing a significant transformation, evolving from a state-run entity into a commercially driven enterprise. This shift is guided by the Petroleum Industry Act (PIA) of 2021 and the Companies and Allied Matters Act (CAMA), aiming to enhance transparency, efficiency, and global competitiveness. In July 2022, NNPC transitioned from a government-owned corporation to a limited liability company under CAMA, following the enactment of the PIA. This change mandates NNPC to operate as a profit-oriented entity, independent of government funding, and subject to standard corporate governance practices. The restructuring is designed to position NNPC for an initial public offering (IPO) and attract private investment. In April 2025, President Bola Tinubu appointed Bashir Bayo Ojulari, a former Shell executive, as the new Group Chief Executive Officer (GCEO) of NNPC Ltd.

This appointment is part of a broader strategy to inject private-sector expertise into NNPC's leadership, aiming to drive reforms and improve operational efficiency. Additionally, the NNPC Board has been reconstituted to include professionals with diverse backgrounds, aligning with the PIA's provisions for improved corporate governance. NNPC has implemented advanced enterprise resource planning (ERP) systems, notably SAP, to streamline its operations. These systems facilitate real-time data analysis, enhance decision-making processes, and improve overall efficiency. NNPC Retail, a subsidiary, has also adopted customer relationship management (CRM) tools and artificial intelligence (AI) technologies to optimize customer engagement and operational performance.

NNPC has made strides in financial transparency by publishing audited financial statements and disclosing debts, including a \$6 billion obligation to fuel suppliers. These measures are part of the preparations for an anticipated IPO, which is in the final stages of planning. The IPO aims to raise capital, reduce government reliance, and position NNPC as a competitive player in the global energy market. Despite progress, NNPC faces challenges such as operational inefficiencies, oil theft, and infrastructural deficits. To address these issues, the company is considering downsizing its workforce, divesting non-core assets, and focusing on core upstream and downstream activities. These strategic initiatives are intended to streamline operations and enhance profitability. NNPC Ltd's transformation reflects a commitment to adopting best practices in enterprise management, corporate governance, and operational efficiency. While challenges persist, the ongoing reforms and strategic initiatives position NNPC to become a more transparent, efficient, and competitive entity in the global energy sector

Performance Metrics and Operational Analysis

Prior to its transformation, performance evaluations of NNPC revealed chronic underperformance in areas such as refining capacity, project execution, and revenue remittance to the government. Analytical reports from institutions like the Nigeria Extractive Industries Transparency Initiative (NEITI) and the Office of the Auditor-General of the Federation highlighted irregularities and inefficiencies.

The improvement process has since been data-driven, incorporating Key Performance Indicators (KPIs) related to financial transparency, cost control, asset utilization, and return on investment (ROI).

Financial and Economic Analysis

NNPC's financial sustainability became a major focus of analysis, especially given its history of operating at a loss despite Nigeria's vast oil wealth. Financial modeling and cost-benefit analysis were applied to assess the impact of subsidies, downstream inefficiencies, and international borrowing. This analytical groundwork supported the

need to adopt a profit-oriented model, reduce dependency on government subventions, and enhance capital efficiency.

Financial analysis focuses on evaluating the company's financial performance, stability, profitability, and efficiency using key metrics and financial statements.

a. Pre-Reform Financial Challenges

- Chronic losses from underperforming refineries and opaque subsidy regimes
- Absence of audited financial statements for decades
- Debt overhang and unpaid cash-call obligations
- Low return on assets and equity
- Overdependence on government funding

b. Post-Reform Financial Improvements

NNPC Limited has made notable progress in financial restructuring:

- Audited Financial Statements: For the first time, NNPC published audited accounts for 2018–2021, signaling improved transparency.
- Profitability: In 2020, NNPC declared its first profit in 44 years—~~₦~~287 billion (\$690 million)—despite the global oil downturn.
- Revenue Diversification: Increased focus on gas monetization, retail business, and trading arms to reduce upstream revenue reliance.
- Debt Restructuring: Negotiation and repayment of legacy debts to joint venture partners.
- Cost Optimization: Reduction of operating costs, outsourcing non-core services, and refinery rehabilitation contracts under performance-based terms (see table 2.1).

Revenue Overview (2022 – 2024)

The Nigerian National Petroleum Company Limited (NNPC Ltd) has undergone a remarkable financial transformation between 2022 and 2023, with projections indicating continued momentum into 2024. This note provides an in-depth analysis of NNPC's

revenue trends, profitability, operational performance, and overall financial outlook based on audited statements and industry reports.

Table 2.1 - Nigerian National Petroleum Company Revenue Overview

Year	Net Profit	Revenue from Crude Oil Sales	Financial Ratios and Asset Base	Contributions to Government
2022	₦2.548 trillion.	Crude oil sales generated ₦3.52 trillion in revenue.		Income Tax: ₦102.5 billion
2023	₦3.297 trillion	Revenue from crude oil sales surged to ₦14.07 trillion, indicating a significant increase from the previous year.	Operating Profit Margin (2023): 18% Net Profit Margin (2023): 14% Return on Equity (2023): 12% Total Assets (2023): ₦246.8 trillion, surpassing Nigeria's GDP.	Income Tax Paid (2023): ₦2.69 trillion. Dividends Paid to Federal Government (2023): ₦2.1 trillion.
2024	Projections indicate that NNPC Ltd aims to continue its profitability trend, with anticipated net profits exceeding those of 2023, contingent upon market conditions and operational performance.	With a targeted crude oil production of 2 million barrels per day by the end of 2024, revenue from crude oil sales is expected to further increase, assuming stable market prices and improved security measures	Continued asset growth is anticipated, driven by ongoing investments and operational expansions.	With sustained profitability, NNPC Ltd is expected to maintain or increase its contributions to government revenues through taxes and dividends.

Source: Field survey 2024

Revenue Growth Trajectory. NNPC Ltd reported significant growth in total revenue during the period under review:

2022: The company reported ₦8.81 trillion in revenue for a 16-month period ending in December 2022. This marked a solid financial rebound following corporate restructuring and increased operational transparency.

2023: Revenue nearly tripled to ₦23.9 trillion, highlighting the impact of improved upstream operations, better crude oil export earnings, and refined commercial practices under the Petroleum Industry Act (PIA).

2024 (Projected): While audited results for 2024 are pending, early performance indicators—including increased crude oil production and a target of 2 million barrels per day—suggest that revenues may exceed 2023 levels, barring major disruptions.

This revenue growth represents one of the strongest performances in the company's history and positions NNPC as a vital contributor to Nigeria's economy.

Net Profit and Margin Improvements

NNPC's profitability has shown a consistent upward trend:

2022: The company declared a net profit of ₦2.548 trillion, following earlier years of persistent losses.

2023: Net profit increased to ₦3.297 trillion, a 28% year-on-year improvement. This performance reflects strong cost control, strategic investments, and improved market conditions.

2024 (Projected): With growing revenues and expanded operations, net profits are expected to continue rising, although this will depend on global oil prices, domestic security, and operational efficiency.

Profitability Ratios (2023):

- Operating Profit Margin: 18%
- Net Profit Margin: 14%
- Return on Equity (ROE): 12%

These ratios illustrate a healthy financial position and mark a significant departure from previous years of underperformance.

Crude Oil Sales Performance

Crude oil remains NNPC's main revenue source:

2022: ₦3.52 trillion was generated from crude oil sales.

2023: Revenue from crude oil sales surged to ₦14.07 trillion—a 298.7% increase.

This dramatic growth was driven by higher international prices, better export logistics, and reduced pipeline vandalism.

2024 (Projected): With a national goal of 2 million barrels/day in crude production by end of 2024, NNPC expects another strong year, especially if prices remain favorable.

Asset Growth and Financial Strength

2023: Total asset value reached ₦246.8 trillion, which exceeded Nigeria's entire Gross Domestic Product (GDP). This demonstrates NNPC's evolving role as a commercial powerhouse rather than a traditional state-owned enterprise.

2024 (Projected): Continued asset growth is anticipated, supported by reinvestment of profits, asset revaluation, and strategic infrastructure upgrades.

Government Contributions

NNPC Ltd has significantly enhanced its fiscal contributions to the federal government:

2022:

Income Tax: ₦102.5 billion

Dividends: ₦0

2023:

Income Tax: ₦2.69 trillion

Dividends: ₦2.1 trillion

This shift indicates improved compliance, operational transparency, and a strategic shift toward delivering commercial returns to shareholders (primarily the Nigerian government).

Operational Reforms and Efficiency

Several structural reforms have underpinned NNPC's recent financial success:

- Implementation of the Petroleum Industry Act (PIA) in 2021, which transformed NNPC into a limited liability company with a profit-driven mandate.
- Shutdown of unproductive refineries, which historically posted annual losses (~~~N~~150 billion/year).
- Better supply chain management and cost control, reflected in a ~20% drop in operating expenses post-reform.
- Enhanced reporting and financial transparency, with the regular publication of audited statements for the first time in decades.

Strategic Outlook for 2024 and Beyond

Looking ahead, NNPC's focus areas include:

- Production Growth: Achieving and sustaining a daily crude output of 2 million barrels by Q4 2024.
- Downstream Investments: Revamping refineries, finalizing the Dangote Refinery partnership, and expanding petrochemical ventures.
- Energy Diversification: Investing in gas infrastructure and renewable energy in line with global energy transition trends.
- Global Partnerships: Attracting foreign investments and building international credibility.

The period from 2022 to 2024 marks a historic transformation for NNPC Ltd—from a loss-making public utility to a commercially viable national energy champion. With strong revenue growth, profitability, asset accumulation, and increased government contributions, the company is now positioned as a cornerstone of Nigeria's economic future. Sustaining this momentum will require policy stability, infrastructural investments, and continued reform implementation.

The NNPC Limited has released its 2023 Audited Financial Statement (AFS), declaring a net profit of N3.297 trillion at the close of the financial year which ended in

December 2023, an increase of over N700billion (28%) when compared to the 2022 profit of N2.548trillion.

In a world press conference held at the NNPC Towers in Abuja on Monday, the Chief Financial Officer of the Company, Mr. Umar Ajiya said the release of the AFS is a testament to the Company’s commitment to transparency and accountability. Our fiscal performance reflects both strategic foresight and operational resilience. Despite inherent challenges of our operational and economic environment, we have improved the productivity and the financial performance of this great company,” Ajiya stated.

Table 2.2 - Key Financial Highlights of NNPC

Total Assets	₦246.82 trillion
Net Profit	₦3.297 trillion
Revenue	₦27.99 trillion
Debt-to-Assets Ratio	1.8%
Return on Equity (ROE)	12%
Current Ratio	1:1
Net Profit Margin	14%
Operating Profit Margin	18%

Source: Field survey 2024

These figures indicate a strong financial position, with a significant increase in assets and profitability compared to the previous year. The low debt-to-assets ratio and balanced current ratio reflect prudent financial management.

Table 2.3 - Key Asset Highlights of NNPC

Total Assets	₦246.82 trillion
Net Assets (Equity)	₦28.5 trillion
Cash and Bank Balances	₦7.1 trillion
Non-Current Assets	Doubled, reflecting a 141% growth from the previous year

Source: Field survey 2024

2.1 Organizational and economic characteristics of the enterprise

The Nigerian National Petroleum Company Limited (NNPC Ltd), formerly known as the Nigerian National Petroleum Corporation, is Nigeria's state-owned oil and gas company. It plays a central role in the country's petroleum industry and is pivotal to the national economy. With recent reforms under the Petroleum Industry Act (PIA) of 2021, NNPC Ltd has transitioned from a public corporation into a limited liability company, marking a new phase in its corporate and economic evolution. This transformation aims to foster transparency, profitability, and competitiveness.

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Organizational Characteristics

Legal Status and Structure

Legal Framework: NNPC Ltd operates under the Companies and Allied Matters Act (CAMA), following its incorporation in July 2022, as mandated by the PIA.

Ownership: 100% owned by the Federal Government of Nigeria through the Ministry of Finance Incorporated (MOFI) and the Ministry of Petroleum Resources.

Commercial Entity: It is structured to operate as a profit-driven company subject to corporate governance, free from political interference in day-to-day operations.

Corporate Governance

Board of Directors: The board comprises seasoned professionals from the energy sector, finance, and corporate law. It includes a chairman, Group Chief Executive Officer (GCEO), executive directors, and non-executive members.

Executive Management: Led by the GCEO (currently Bashir Bayo Ojulari, as of 2025), the executive team oversees daily operations and strategic implementation.

Contribution to National Economy

Revenue Generation: NNPC is a major source of revenue for the Nigerian government, contributing over 60% of national income through oil exports, taxes, and royalties.

Foreign Exchange Earnings: The company is a key contributor to Nigeria's foreign reserves due to crude oil exports.

Employment: Directly and indirectly employs thousands of workers, contributing to job creation and industrial development.

Assets and Investments

Asset Portfolio: NNPC Ltd controls massive infrastructure and assets, including oil fields, pipelines, storage depots, refineries, and gas facilities.

Joint Ventures and Production Sharing Contracts (PSCs): The company engages in partnerships with International Oil Companies (IOCs) such as Shell, ExxonMobil, Chevron, and TotalEnergies.

Equity Participation: Holds significant equity in various oil and gas projects across Nigeria, including LNG and modular refineries.

Financial Performance

Audited Financial Reports: In recent years, NNPC has begun publishing annual audited financial statements to improve transparency. The 2021 report showed a profit of ₦674 billion, marking its first-ever profit since inception.

Debt Obligations: The company is managing legacy debts, including over \$6 billion owed to international fuel suppliers and contractors.

Privatization and IPO Prospects: There are ongoing discussions about launching an Initial Public Offering (IPO) to attract foreign and local investment and reduce reliance on public funds.

Investment in Technology and Innovation

ERP Implementation: The use of Enterprise Resource Planning systems like SAP enhances decision-making and resource allocation.

Digitization: Increasing adoption of digital tools, AI, and data analytics in operations, especially in logistics, asset management, and customer engagement (e.g., NNPC Retail).

Research & Development: NNPC invests in the National Petroleum Investment Management Services (NAPIMS) and other R&D initiatives for sustainable oil production and energy transition.

Strategic Initiatives

Refinery Rehabilitation: Ongoing rehabilitation of the Port Harcourt, Warri, and Kaduna refineries.

Asset Divestment and Downsizing: Plans to reduce the size of its workforce and focus on core assets.

Energy Transition: Investment in renewable energy, gas expansion (Decade of Gas initiative), and sustainability frameworks.

The Nigerian National Petroleum Company Limited (NNPC Ltd) exhibits robust organizational and economic characteristics that are central to Nigeria's energy security and economic stability. Its transformation into a commercially viable entity with a restructured corporate governance framework, increased transparency, and a focus on profitability is a significant milestone in Nigeria's petroleum industry reform.

Despite persistent challenges, the company's strategic positioning across the oil and gas value chain, combined with its extensive asset base and ongoing reforms, provides a strong foundation for long-term growth and competitiveness in the global energy market.

See figure 2.1 for the role of manager in organizations. Revenue from sales of utilised crude during the year accounted for 58.7% of total revenue, followed by revenue from sales of Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), and Automotive Gasoline Oil with 29.8%. Revenue from natural gas, power, and services accounted for the rest. NNPC did ₦6.8 trillion in profit in four years.

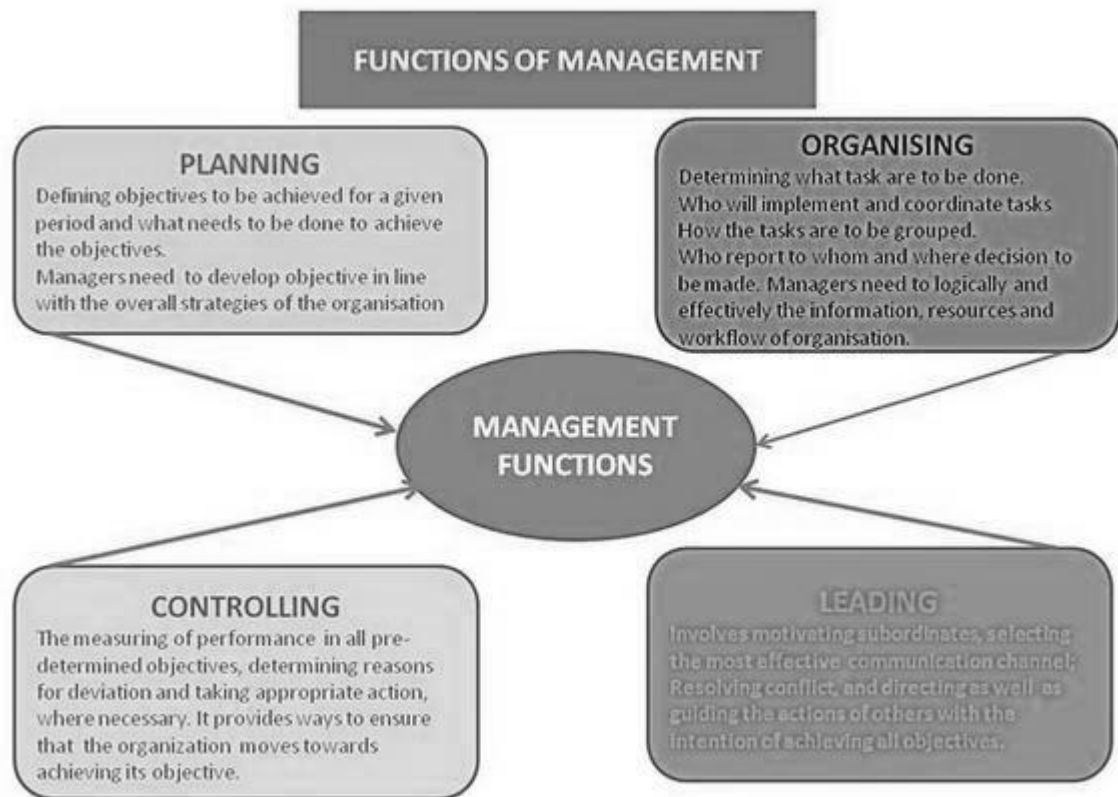


Figure 2.1 - Role of managers in Organizations

Source: Henri Fayol (1841–1925)

These functions form the core framework of management theory and are essential to any organization's success.

1. Planning

- **Definition:** This is the process of setting objectives and determining the actions necessary to achieve them.

- Purpose: Helps organizations stay aligned with strategic goals and anticipate future challenges.
- Key Points from Image:
 - Define objectives to be achieved.
 - Decide what needs to be done.
 - Align objectives with the organization's overall strategy.

Planning is foundational. Without it, the rest of the functions lack direction.

2. Organizing

- Definition: Structuring resources and activities to accomplish objectives efficiently.
- Purpose: Ensures that people, tasks, and processes are aligned and coordinated.
- Key Points from Image:
 - Determine what tasks need to be done and by whom.
 - Group tasks logically.
 - Define reporting relationships and decision-making authority.

Organizing turns plans into actionable frameworks.

3. Leading

- Definition: Motivating, guiding, and influencing employees to work effectively to achieve organizational goals.
- Purpose: Keeps teams engaged, productive, and aligned with the mission.
- Key Points from Image:
 - Motivate subordinates.
 - Select effective communication channels.
 - Resolve conflict and direct team efforts.

Leadership brings the human element into management, transforming strategy into action.

4. Controlling

- Definition: Monitoring and evaluating performance to ensure that objectives are being met.
- Purpose: Allows timely correction of deviations and continuous improvement.
- Key Points from Image:
 - Measure performance against objectives.
 - Identify deviations and take corrective action.
 - Keep the organization on track toward goals.

Controlling ensures accountability and progress.

This model is based on classical management theory, originally articulated by Henri Fayol, a French management theorist, in the early 20th century. These four functions are widely accepted in modern business education and form the foundation of most management courses, textbooks, and practical leadership models.

These functions are interdependent—effective management involves integrating all four. A well-planned strategy fails without proper execution (organising), human effort (leading), and consistent oversight (controlling).

Would you like a PowerPoint, presentation script, or academic reference list for this model?

2.2 Research on the efficiency of production activities at NNPC

In 2023, NNPC Ltd reported a record-breaking net profit of ₦3.3 trillion, a 27.6% increase from the previous year. This financial achievement reflects improvements in operational efficiency and cost management. By November 2024, the company's crude oil production had risen to 1.8 million barrels per day (bpd), with plans to reach 2 million bpd by the end of 2024.

NNPC Ltd has launched the Production Monitoring Command Centre (PMCC), a state-of-the-art facility aimed at enhancing real-time monitoring and operational

efficiency across its upstream activities. The PMCC consolidates data from various operators, enabling swift decision-making and improved production oversight.

Despite these advancements, NNPC Ltd faces several challenges:

Infrastructure Constraints: Aging pipelines and facilities contribute to production bottlenecks and increased maintenance costs.

Security Issues: Oil theft and pipeline vandalism remain significant problems, leading to substantial losses and operational disruptions.

Operational Costs: High production costs, often exceeding \$10 per barrel, affect competitiveness.

To mitigate these challenges, NNPC Ltd is implementing several strategies:

Table 2.4 - Strategies of mitigating the challenges faced by NNPC

Public-Private Partnerships (PPPs)	Engaging in PPPs to attract investment and share technical expertise, thereby improving operational efficiency.
Asset Optimization	Conducting strategic reviews to identify and divest non-core assets, focusing resources on high-yield operations.
Technological Integration	Adopting artificial intelligence and advanced data analytics to optimize production processes and predictive maintenance.

Field work: 2024

Public-Private Partnerships (PPPs)

Leverage Public-Private Partnerships to attract capital investment and tap into specialized technical expertise. This collaborative approach enhances operational efficiency, accelerates project timelines, and fosters innovation through shared risk and resources.

Asset Optimization

Implement comprehensive strategic reviews to identify underperforming or non-core assets for divestment. This enables a sharper focus on core, high-yield operations, thereby maximizing return on investment and improving overall asset performance.

Technological Integration

Drive operational excellence by integrating artificial intelligence and advanced data analytics. These technologies support real-time decision-making, enhance production efficiency, and enable predictive maintenance, reducing downtime and operational costs.

NNPC Ltd's commitment to enhancing production efficiency is evident through its financial gains and technological investments. However, sustained success will depend on effectively addressing infrastructural and security challenges, as well as maintaining strategic partnerships and technological advancements. See figure 2.2.



Figure 2.2 - ERP Production Planning Module

Source: Cortisol Detox

1. Determining the Production Capacity

- This involves evaluating how much a company can produce within a given period using available resources. It helps ensure that operations are aligned with capabilities.
2. Forecasting the Demand and Specifying the Audience
 - Anticipating market demand and identifying the target customer base enables a company to produce the right quantity and type of product, minimizing overproduction or shortages.
 3. Proper Inventory Control
 - Maintaining optimal inventory levels prevents excess stock and shortages, which helps reduce costs and ensures smooth operations.
 4. Reduction of Waste Generation
 - Efficient use of materials, energy, and time contributes to less waste, which reduces costs and improves sustainability.
 5. Risk Assessment and Proper Control
 - Identifying potential risks in production and implementing control measures can prevent disruptions and enhance safety and efficiency.

Each of these objectives contributes to the overall efficiency, cost-effectiveness, and responsiveness of a production system.

ERP Production Planning Module is a component of ERP software that helps manufacturers plan and control the manufacturing process. It allows companies to design products, track production, and deliver products to customers. ERP Production Planning Module also helps manufacturers meet their objectives by providing a framework for effective planning.

2.3 Diagnostics of management at the enterprise

Diagnostics of management at an enterprise like the Nigerian National Petroleum Corporation (NNPC) involves evaluating how effectively the organization is managed across various dimensions. This process helps to identify strengths, weaknesses, and areas for improvement in management practices and organizational performance.

Below is a structured framework for conducting a diagnostic of management at NNPC or a similar enterprise:

1. Strategic Management

- Mission and Vision Clarity: Are the mission and vision well defined and aligned with Nigeria's energy goals?
- Strategic Planning: How robust are the strategic planning processes? Are there measurable goals?
- Alignment: Is there alignment between corporate strategy and departmental plans?
- Adaptability: How responsive is the strategy to market and regulatory changes?

Diagnostic Tools: SWOT Analysis, PESTLE Analysis, Balanced Scorecard.

2. Organizational Structure

- Structure Efficiency: Is the organizational structure appropriate for the scale and complexity of operations?
- Roles & Responsibilities: Are they clearly defined and effectively communicated?
- Decision-making Hierarchy: Are decisions decentralized where appropriate?
- Span of Control: Is there effective managerial oversight?

Diagnostic Tools: Organizational Chart Analysis, RACI Matrix, Benchmarking.

3. Leadership and Governance

- Board Composition: Is there an effective, competent, and independent board of directors?
- Leadership Style: Is leadership participatory or authoritarian? Is it effective?

- Transparency and Ethics: Is leadership transparent and ethical?
- Corporate Governance Compliance: Are global best practices followed?

Diagnostic Tools: Governance Audits, Leadership Assessment Surveys.

4. Human Resource Management

- Recruitment and Retention: Are recruitment processes merit-based? What is the staff turnover rate?
- Training and Development: Are there adequate training programs and career progression paths?
- Performance Management: Is performance measured objectively? Are there reward systems?
- Labor Relations: What is the state of labor unions and staff satisfaction?

Diagnostic Tools: HR Audits, Employee Satisfaction Surveys, KPI Tracking.

5. Financial Management

- Budgeting and Planning: Are budgets realistic and performance-tracked?
- Revenue Management: Are revenue streams diversified and efficiently managed?
- Audit Compliance: How frequent and transparent are internal and external audits?
- Cost Control: Are there effective cost-monitoring mechanisms?

Diagnostic Tools: Financial Ratio Analysis, Cost-Benefit Analysis, Audit Reports.

6. Operational Management

- Supply Chain Efficiency: How well are procurement, logistics, and inventory managed?
- Project Management: Are major projects (e.g., refineries, pipelines) delivered on time and budget?
- Technology Use: Is the organization leveraging modern IT systems (e.g., SAP, ERP)?
- Health, Safety & Environment (HSE): Are safety standards and environmental policies enforced?

Diagnostic Tools: Operations Benchmarking, Process Mapping, KPI Dashboards.

7. Stakeholder and Public Relations

- Stakeholder Engagement: How well does NNPC engage with government, communities, and investors?
- Public Image: Is the company viewed positively by the public?
- Corporate Social Responsibility (CSR): Are CSR activities meaningful and aligned with community needs?

Diagnostic Tools: Stakeholder Mapping, Public Perception Surveys.

8. Risk Management and Compliance

- Risk Identification: Are there proactive measures for identifying risks (market, operational, political)?
- Regulatory Compliance: Is the organization compliant with Nigerian and international regulations?
- Crisis Management: How prepared is the organization to respond to crises?

Diagnostic Tools: Risk Matrix, Compliance Checklists, Scenario Analysis.

“The diagnostic assessment of NNPC's management reveals that while strategic alignment and financial transparency have improved, significant gaps remain in operational efficiency, human resource performance management, and stakeholder engagement. Recommendations include reengineering core processes, investing in leadership development, and enhancing audit and compliance mechanisms.” (See figure 2.3).

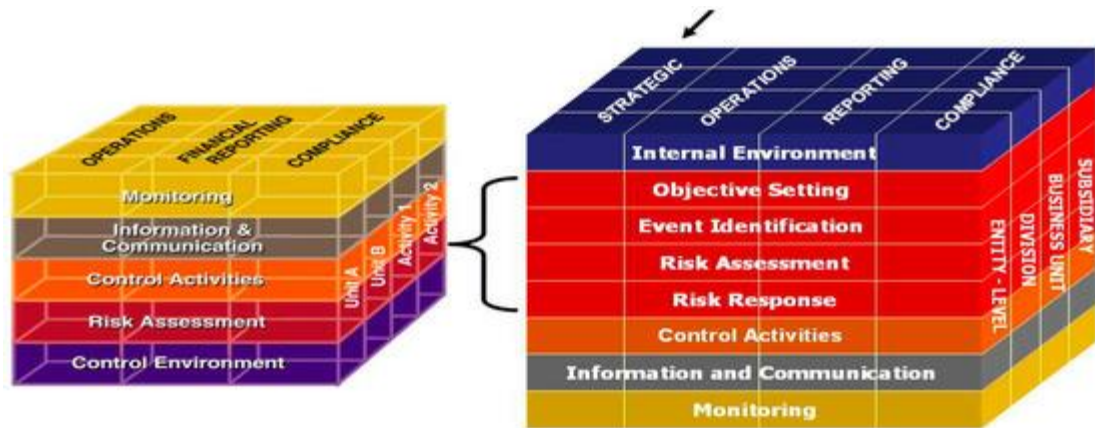


Figure 2.3 - The Value of Public Sector Risk Management

Source: [COSO Internal Control – Integrated Framework \(2013\)](#)

The figure you've provided illustrates the COSO Frameworks—specifically the COSO Internal Control – Integrated Framework (left) and the COSO Enterprise Risk Management (ERM) – Integrated Framework (right). These are conceptual models developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to guide organizations in managing risks and establishing internal controls.

Left Cube: COSO Internal Control – Integrated Framework (2013 version)

This cube shows how internal control is structured across three dimensions:

1. Objectives (Top face of the cube)

These represent the categories of objectives internal control aims to achieve:

- Operations – Effectiveness and efficiency of operations.
- Financial Reporting – Reliability of financial reporting.
- Compliance – Compliance with applicable laws and regulations.

2. Components (Front face of the cube)

These are the five components of internal control:

- Control Environment – The foundation for all other components.
- Risk Assessment – Identification and analysis of risks.

- Control Activities – Policies and procedures ensuring risk responses are effectively carried out.
- Information and Communication – Systems supporting the flow of information.
- Monitoring – Evaluation of the internal control system over time.

3. Organizational Structure (Side face of the cube)

This shows how controls apply at different levels:

- Entity level
- Division
- Operating Unit
- Function

Right Cube: COSO Enterprise Risk Management (ERM) – Integrated Framework (2004 version)

This cube expands the internal control model to cover broader Enterprise Risk Management, focusing not just on control but also on strategy and risk.

1. Objectives (Top face of the cube)

- Strategic – High-level goals aligned with the organization's mission.
- Operations
- Reporting
- Compliance

2. Components (Front face of the cube)

There are eight interrelated components:

1. Internal Environment – Tone at the top, risk culture.
2. Objective Setting
3. Event Identification
4. Risk Assessment
5. Risk Response
6. Control Activities

7. Information and Communication

8. Monitoring

3. Organizational Levels (Side face of the cube)

- Entity-Level
- Division
- Business Unit
- Subsidiary

Key Difference:

While both frameworks use a cube model to illustrate integration across objectives, components, and organizational levels:

- The Internal Control Framework focuses more on compliance and reporting.
- The ERM Framework emphasizes strategic risk management, including event identification and risk response, which are not part of the original internal control model.

Every business faces risks, especially those operating at high capacity with a vast number of employees and resources like the public sector. That is why every organization implements risk assessment to identify threats and then manage them efficiently since business conditions are constantly changing (Basu 2016; Baumgartner and Rauter 2017; Da Silva Etges et al. 2018). It is relevant to perform risk assessment to identify the internal and external threats that the entity is exposed to (Dementiev 2016; Dong et al. 2017).

CHAPTER 3

THE WAYS OF IMPROVING THE MANAGEMENT SYSTEM OF NIGERIAN NATIONAL PETROLEUM CORPORATION

Improving the management system of the Nigerian National Petroleum Corporation (NNPC) requires a multi-pronged approach that addresses structural, strategic, operational, and human factors. Below are key recommendations organized by functional areas to guide management system improvements:

1. Strategic Reorientation

What to Do:

- Develop a clear and unified long-term vision aligned with Nigeria's energy transition and global oil and gas trends.
- Regularly update the corporate strategy to reflect changing market dynamics, geopolitical shifts, and national priorities (e.g., shift to gas, renewable integration).
- Institute a results-oriented performance culture with measurable KPIs.

How to Improve:

- Adopt the Balanced Scorecard framework.
- Create a Corporate Strategy Unit with cross-functional oversight.
- Conduct annual strategy reviews involving all major business units.

2. Governance and Transparency

What to Do:

- Ensure greater independence of the board and reduce political interference.
- Adopt and enforce global best practices in corporate governance.
- Make audit reports and financial statements publicly accessible.

How to Improve:

- Align operations with Nigeria's Extractive Industries Transparency Initiative (NEITI).
- Introduce a whistleblower protection policy.
- Conduct quarterly governance and ethics training for executives and managers.

3. Organizational Restructuring

What to Do:

- Implement leaner and more agile structures to reduce bureaucracy and increase responsiveness.
- Clearly define roles, responsibilities, and reporting lines.
- Decentralize decision-making to empower departments and subsidiaries.

How to Improve:

- Conduct a functional review and job audit.
- Flatten the hierarchy to eliminate redundant managerial layers.
- Invest in change management training.

4. Human Capital Development

What to Do:

- Establish a merit-based recruitment and promotion system.
- Invest in training, leadership development, and mentorship programs.
- Introduce succession planning for key roles.

How to Improve:

- Partner with global oil firms and universities for training programs.
- Create an internal leadership academy for continuous learning.
- Use performance appraisal tools like 360-degree feedback.

5. Operational Efficiency

What to Do:

- Automate and digitalize core business processes (e.g., procurement, asset management).

- Improve project execution and reduce cost overruns in refinery and pipeline projects.
- Adopt Enterprise Resource Planning (ERP) tools for end-to-end visibility.

How to Improve:

- Invest in digital transformation (e.g., SAP, Oracle).
- Use Lean Six Sigma to optimize workflows and reduce waste.
- Benchmark operations against global NOCs (e.g., Petrobras, Saudi Aramco).

6. Financial Management

What to Do:

- Improve financial reporting and cost control.
- Reduce reliance on government subsidies and improve cash flow sustainability.
- Attract private investment through Public-Private Partnerships (PPP).

How to Improve:

- Strengthen the internal audit and compliance functions.
- Implement Zero-Based Budgeting (ZBB) for better expense management.
- Launch commercially viable subsidiaries to generate non-oil revenue.

7. Technology and Innovation

What to Do:

- Embrace data-driven decision-making using business intelligence tools.
- Foster a culture of innovation in refining, upstream, and retail operations.
- Support research in clean energy and carbon management.

How to Improve:

- Create an Innovation and R&D Directorate.
- Collaborate with tech startups and universities on energy tech.
- Roll out digital oilfield solutions to optimize exploration and production.

8. Stakeholder Engagement & CSR

What to Do:

- Strengthen relationships with host communities through meaningful CSR programs.
- Improve public trust through timely communication and community dialogue.
- Regularly consult with government, NGOs, and civil society.

How to Improve:

- Conduct community needs assessments before CSR spending.
- Launch a Stakeholder Management Portal for feedback and tracking.
- Publish annual Sustainability Reports.

9. Compliance and Risk Management

What to Do:

- Create a proactive enterprise risk management (ERM) framework.
- Conduct regular risk assessments across all operations.
- Strengthen cybersecurity and environmental compliance.

How to Improve:

- Use risk dashboards and predictive analytics.
- Set up an independent compliance office.
- Regularly simulate disaster recovery and crisis response scenarios.

Improving the management system of the Nigerian National Petroleum Corporation (NNPC)—now operating as NNPC Limited—requires a multifaceted approach focused on governance, operational efficiency, transparency, innovation, and human capital development. Here's a structured breakdown of key ways to achieve this:

Ways to Improve the Management System of NNPC

1. Strengthen Strategic Management

- Adopt the Balanced Scorecard: Align corporate goals with measurable KPIs to ensure effective execution of strategic plans.
- Conduct Regular Strategy Reviews: Monitor and evaluate performance, adjusting plans based on economic, market, and regulatory changes.

2. Enhance Governance and Transparency

- Full NEITI Compliance: Ensure adherence to Extractive Industries Transparency Initiative (EITI) standards for openness in revenue and contracting.
- Independent Audit & Public Disclosure: Make financial and operational audits transparent to build investor and public trust.

3. Restructure Organizational Framework

- Functional Reviews: Assess and streamline departments to eliminate duplication and improve accountability.
- Decentralization: Empower subsidiaries and regional offices to make decisions faster, increasing responsiveness and efficiency.

4. Modernize Human Resource Management

- Capacity Building & Training: Invest in technical and managerial training to upskill staff and reduce dependence on foreign expertise.
- Succession Planning: Identify and groom internal talent for future leadership roles to ensure organizational continuity.

5. Reform Operational Practices

- Implement Zero-Based Budgeting: Justify all expenditures annually to reduce waste and promote cost efficiency.
- Public-Private Partnership (PPP) Models: Leverage private sector capital and expertise in infrastructure development and oil production.

6. Digitize Financial and Technical Operations

- Digital Oilfield Technology: Use data analytics, IoT, and AI to improve exploration, production, and asset monitoring.
- Create Innovation Hubs: Establish R&D and innovation centers to foster local solutions and reduce technological dependence.

7. Improve Stakeholder Engagement

- **CSR Impact Assessment:** Evaluate the effectiveness of community investments to ensure they align with stakeholder needs.
- **Launch Communication Portals:** Use digital platforms to communicate transparently with communities, investors, and regulators.

8. Strengthen Risk and Compliance Management

- **Enterprise Risk Management (ERM):** Integrate risk management into strategic planning and daily operations.
- **Implement Cybersecurity Protocols:** Secure digital infrastructure to protect operational data and national energy security.

9. Enhance Financial Accountability

- **Timely Financial Reporting:** Adopt International Financial Reporting Standards (IFRS) and publish quarterly financials.
- **Cost Recovery Audits for JV Partners:** Ensure transparency in cost claims by international partners to prevent overbilling.

10. Foster a Performance-Driven Culture

- **Performance-Based Incentives:** Link employee rewards to measurable outputs and KPIs.
- **Change Management Programs:** Instill a culture of efficiency, professionalism, and innovation.

NNPC's transformation into a commercially driven, profit-oriented company under the Petroleum Industry Act (PIA) offers a prime opportunity to overhaul its management system. A successful reform will require strong leadership, policy alignment, and stakeholder buy-in.

Table 3.1 – Strategic management

Area	Key improvement Actions
Strategic Management	Balanced Scorecard, Strategy Reviews
Governance	NEITI Compliance, Audit Transparency
Organizational Structure	Training, Succession Planning
HR Management	Functional Reviews, Decentralization
Operations	Zero-Based Budgeting, PPP Models
Financial Management	Digital Oilfield, Innovation Centers
Stakeholder Engagement	CSR Impact Assessment, Communication Portals
Risk & Compliance	ERM Framework, Cybersecurity Protocols

Source: Lumencandela 2015

Here's an explanation of each key improvement area and the actions associated with it. These initiatives are typically used in strategic reforms, particularly in public sector or energy organizations (e.g., NNPC, oil & gas companies) to drive transparency, efficiency, innovation, and accountability:

1. Strategic Management

- **Balanced Scorecard:** A strategic planning and management tool that aligns business activities to the organization's vision and strategy. It tracks performance against strategic goals using financial and non-financial metrics.

- **Strategy Reviews:** Regular assessments of strategy implementation and effectiveness, allowing leadership to adapt to changes and ensure alignment with goals.

2. Governance

- **NEITI Compliance:** Ensuring adherence to Nigeria Extractive Industries Transparency Initiative requirements, which promote transparency and accountability in the extractive sector.
- **Audit Transparency:** Enhancing the openness of audit processes to ensure integrity, detect fraud, and improve stakeholder confidence.

3. Organizational Structure

- **Functional Reviews:** Evaluating departments/functions for relevance, efficiency, and alignment with strategic goals; often used to identify redundancies or gaps.
- **Decentralization:** Delegating decision-making authority to lower levels to improve responsiveness, accountability, and efficiency in operations.

4. HR Management

- **Training:** Building employee capabilities through skill development programs to increase productivity and adaptability.
- **Succession Planning:** Identifying and preparing future leaders to ensure smooth leadership transitions and business continuity.

5. Operations

- **Zero-Based Budgeting:** A method where each department justifies all expenses from scratch, rather than using previous budgets. It helps eliminate unnecessary spending.
- **PPP Models:** Public-Private Partnerships allow collaboration with the private sector to deliver public services or infrastructure efficiently.

6. Financial Management

- Digital Oilfield: The use of digital technologies (IoT, data analytics, AI) to optimize oilfield operations, increase productivity, and reduce costs.
- Innovation Centers: Establishing dedicated hubs for developing and testing new technologies, processes, or business models.

7. Stakeholder Engagement

- CSR Impact Assessment: Measuring the actual benefits and effectiveness of Corporate Social Responsibility programs on host communities and stakeholders.
- Communication Portals: Platforms (websites, apps) that enhance communication with stakeholders, providing transparency, feedback channels, and engagement.

8. Risk & Compliance

- ERM Framework: Enterprise Risk Management systems that identify, assess, and manage risks across the organization.
- Cybersecurity Protocols: Policies and measures to protect digital infrastructure and data from cyber threats, essential in today's increasingly digitized operations.

CONCLUSIONS

This research investigates the transformation and improvement of the management system at the Nigerian National Petroleum Company (NNPC) Limited, following its restructuring under the Petroleum Industry Act (PIA) 2021. Historically plagued by inefficiencies, poor governance, and bureaucratic constraints, NNPC's shift to a commercially oriented limited liability company represents a fundamental shift toward performance-driven and transparent enterprise management.

The study identifies several key areas of reform, including:

- Strategic restructuring of corporate governance frameworks
- Adoption of digital transformation and modern performance management systems
- Increased emphasis on transparency, accountability, and profitability
- Alignment with global best practices in the oil and gas industry

Through a detailed analysis of these reforms, the research highlights how these changes have enhanced operational efficiency, boosted investor confidence, and positioned NNPC Limited as a more competitive player in both national and international markets. Additionally, it explores the continuing challenges and risks inherent in transforming a large, formerly state-run enterprise, emphasizing the importance of sustained commitment and adaptive strategies.

The transformation of NNPC into a commercially driven enterprise under the PIA 2021 represents a landmark shift in Nigeria's approach to managing its critical oil and gas sector. While the journey has yielded promising improvements in governance, transparency, and operational outcomes, it also underscores the complexity of reforming entrenched systems within public institutions.

For these gains to be sustainable, continuous investment in leadership development, technological innovation, performance monitoring, and stakeholder engagement is

essential. Moreover, NNPC Limited must remain agile and responsive to the dynamics of the global energy market and domestic economic priorities.

Overall, this research affirms that effective management systems are central to unlocking the potential of state-owned enterprises and catalyzing broader economic development in Nigeria. The case of NNPC Limited offers valuable lessons for similar reforms in other sectors and countries aiming to transition public enterprises into globally competitive institutions.

Improving the management system of an enterprise is crucial for enhancing productivity, competitiveness, and sustainability. This is especially true in complex, resource-dependent sectors like oil and gas, where operational inefficiencies, global pressures, and evolving regulatory landscapes demand responsive and strategic reforms.

The Nigerian National Petroleum Company (NNPC) Limited presents a compelling case for such transformation. Historically hindered by inefficiencies, weak governance, and lack of transparency, NNPC faced growing internal and external pressures that necessitated comprehensive management reforms. The enactment of the Petroleum Industry Act (PIA) 2021 served as a pivotal turning point, restructuring NNPC into a commercially oriented limited liability company. This legal framework laid the foundation for a shift from bureaucratic control to a profit-driven, performance-based model.

The basis for NNPC's management improvement is rooted in multiple dimensions:

- **Operational Efficiency:** Addressing outdated systems and streamlining operations to improve productivity and reduce costs.
- **Regulatory Compliance:** Aligning internal processes with national laws and international standards to enhance legitimacy and reduce risk.
- **Corporate Governance:** Establishing structures that promote transparency, ethical leadership, and accountability to stakeholders.

- Digital Transformation: Leveraging technology for better data management, decision-making, and scalability.
- Human Capital Development: Investing in workforce skills, leadership, and cultural change to foster innovation and performance.
- Global Competitiveness: Adapting to industry trends and market demands to ensure long-term sustainability and relevance.

Several organizational and management theories underpin these reforms, including Systems Theory, Institutional Theory, Change Management Theory (Kotter's Model), Agency Theory, and the Resource-Based View. These theoretical perspectives provide a robust framework for understanding NNPC's transition from a state-run entity to a competitive enterprise.

The improvement of the management system at NNPC Limited reflects a strategic, multifaceted response to long-standing challenges. Driven by legal reform, market pressures, and stakeholder demands, the transformation is grounded in best practices from both public and private sectors. The application of modern management theories reinforces the importance of alignment, accountability, and adaptability in achieving sustainable change.

NNPC's journey illustrates that meaningful reform in state-owned enterprises requires more than structural changes—it demands a shift in mindset, culture, and operational discipline. If sustained, these reforms can reposition NNPC as a leading force in Nigeria's economic development and serve as a model for similar transformations across the public sector, especially in emerging economies.

Ultimately, the case of NNPC Limited demonstrates how deliberate, theory-informed improvements in management systems can unlock enterprise potential, build stakeholder trust, and contribute to national progress.

The improvement of management systems in enterprises is a multidimensional and strategic imperative for achieving operational excellence, competitiveness, and

sustainable growth. The literature reviewed highlights a robust theoretical and empirical foundation for such improvements, drawing from classical management theories, modern performance models, and technological innovations.

Key themes include:

- **Strategic Alignment and Planning:** Effective management systems require clear goals, coherence across departments, and alignment with the organization's vision.
- **Leadership and Change Management:** Strong leadership and structured change models (e.g., Kotter's 8-Step Model) are vital for successful transformation.
- **Process Optimization:** Tools such as Business Process Reengineering and Lean Management help streamline operations and eliminate inefficiencies.
- **Performance and Accountability:** Continuous measurement and feedback systems like the Balanced Scorecard enhance transparency and decision-making.
- **Human Capital and Culture:** Capacity building, incentive systems, and cultural transformation are critical for sustaining improvements.
- **Technological Integration:** ERP systems and data analytics support coordination, reduce errors, and drive efficiency.
- **Governance Reform in Public Enterprises:** Particularly for state-owned entities like NNPC, governance structures, autonomy, and transparency are essential to reform outcomes.

In the case of the Nigerian National Petroleum Company (NNPC) Limited, the transformation under the Petroleum Industry Act (PIA) 2021 represents a fundamental shift from bureaucratic inefficiency to commercially-driven accountability. The literature underscores that:

- Governance reforms, financial transparency, and corporate restructuring are essential to break from the past.
- Technology and ERP systems are crucial enablers of modernization.

- Comparisons with successful national oil companies (e.g., Petronas, Equinor) provide practical benchmarks for NNPC's transformation.
- Cultural and human resource reforms are necessary to overcome entrenched public-sector inefficiencies.
- Sustained political will and implementation capacity will determine the long-term success of these reforms.

Improving the management system of an enterprise is not a one-time intervention but a continuous process grounded in strategic vision, effective leadership, and systemic integration of processes, people, and technologies. For NNPC Limited, the transition offers a unique opportunity to reposition itself as a globally competitive, transparent, and efficient national energy company. The literature makes clear that success depends on the coherent application of governance, performance management, technological innovation, and cultural change—supported by a strong legal and institutional framework. If fully implemented, these reforms can serve as a model for the transformation of state-owned enterprises across emerging economies.



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Appendixes