

# Deregulation of the Downstream Sector of the Nigerian Petroleum Industry: The Role of Leadership

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## Abstract

This study examined the role of leadership in the deregulation of the downstream sector of the Nigerian petroleum industry. Primary data was collected through structured interview from 230 respondents via questionnaire. The survey method using the questionnaire was adopted in collecting data. Tables were used in the presentation of the data while the mean ( $\bar{x}$ ) and simple percentage (%) were used in the analysis of data. This study highlighted the importance and role of leadership in the deregulation of the downstream sector of the Nigerian petroleum industry. The study revealed that corruption, brought about by petroleum subsidy, is obvious in the petroleum industry and that importation of petroleum products to meet local demand by Nigerians is attributable to leadership/managerial problem. It further revealed that leadership upon attainment of independence in Nigeria has not been accountable and transparent in the management of the nation's oil wealth to transform the lives of Nigerians. Leadership role in any organization, public or private, is of paramount importance as the leadership role when effectively carried out or not do affect the performance of an organization. The study concludes by recommending that there is constant need to evaluate what we do in leadership and how we do it irrespective of the position(s) we occupy and/or the sector(s) we find ourselves.

**Keywords:** Deregulation, Downstream Sector, Leadership, Petroleum Industry.

## 1.0 Introduction

The Nigerian petroleum industry, at present, is generally believed to be the pivot of the Nigerian economy and the hub around which other sectors of the national economy revolves, with revenue from oil and gas accounting for about 90% of the nation's foreign exchange and over 70% of revenue. The phenomenal petroleum increase in the national wealth brought in its wake, multifarious problems and responsibilities, in the area of proper revenue accounting as well as social, ecological, environmental pollution, leadership and managerial problems. The petroleum industry is clearly the most dynamic, vibrant and strategic sector of Nigerian economy. The Nigerian petroleum industry is divided into two sectors –the upstream sector (which deals with exploration and production) and the downstream sector (which deals with refining, distribution, and marketing of crude oil for domestic consumption).

The interest and passion that usually characterize petroleum discourse in Nigeria is due to inexplicable deprivations and sufferings of Nigerians amidst plenty and abundance. Nigeria is blessed with vast quantities of petroleum and is the sixth largest exporter of oil in the Organization of Petroleum Exporting Countries (OPEC). This has generated billions of dollars in revenue over the past 51 years since oil was found in Nigeria. But this has not translated into an improved economic growth. In the bid to solve such problems characterizing the petroleum sector industry in many countries, structural reforms of the petroleum sector has become a necessity hence recourse to deregulation. In deregulation, the role of government in the sector is being redefined, and markets are being deregulated (i.e. state interventions such as special treatment of state owned oil companies, price controls and monopolies are being broken up).

Deregulation policy has globally been embraced by several countries in order to lessen public sector dominance for developing a liberalized market while ensuring adequate supply of products. Such is the story in Peru, Argentina, Pakistan, Philippines, Thailand, Mexico, Canada, Venezuela and USA, all of which have systematically dismantled their state-owned oil companies through deregulation.

Deregulation of the downstream sector of the Nigerian petroleum industry, as conceived in 2003, involved the removal of government control on petroleum products prices and the removal of restrictions on the establishment and operations including refining jetties and depots, while allowing private sector players to be engaged in the importation and exportation of petroleum products and allowing market forces to prevail. The downstream sector operations cover crude oil conversion into refined and petrochemical products and finer chemicals, and gas treatment as well as transportation and marketing of the petroleum products.

In furtherance of the deregulation of the downstream sector, the government under the leadership of President Olusegun Obasanjo established the Petroleum Products Pricing and Regulatory Agency (PPPRA) to

superintend the deregulation process as part of the recommendations of the Special Committee on the Review of Petroleum Products Supply and Distribution (SCRPPSD) that was set up in 2001 to look into the problems of the downstream sector of the Nigerian petroleum industry.

As recent events unfold in the petroleum industry, deregulation becomes inevitable as government participation in the downstream sector was characterized by some challenges which include: low investment opportunities in the sector, large scale smuggling of petroleum products, pipelines vandalization, low capacity utilization and refining activities in the nation's refineries, scarcity of petroleum products, mismanagement of revenue from petroleum, and high level of corruption in the state-owned petroleum parastatals vis-à-vis political office holders.

Previous administrations were unable to effect complete deregulation of the downstream sector hence they only tinkered with the pump price of petroleum products, an aspect of deregulation. To President Goodluck Ebele Jonathan, deregulation policy is the strongest measure to tackle the challenge of corruption in the downstream sector and to transform the Nigerian economy.

Proponents of deregulation assert that competition will result in increased efficiency, lower prices and production costs, and increased supplies. Contrarily, opponents of deregulation assert that deregulation comes with undesirable results, such as reduced safety standards and lower wages, among other disadvantages to the society as a whole. Prior to deregulation, NNPC through its subsidiary, the PPMC, had monopolized the supply of petroleum products to the domestic market as well as the sole operator of the nationwide integrated system of petroleum products pipelines, jetties and product storage depots built by the government.

Good leadership *cum* good governance are major requirements for rapid and sustainable economic growth and development. A nation that is plagued by bad leadership and bad governance is bound to experience pervasive poverty and other socio-economic maladies, as being experienced in Nigeria. Through out life, in business and in government, we will be called to play many roles. Two of the most important work roles relate to that of leadership and management. Therefore, certain activities and policies require both outstanding leadership and management skills.

Leadership roles in any organization, private or public, is of paramount importance as the leadership role when effectively carried out or not do affect the performance of an organization. Leadership is a complex concept. As a result, leadership roles are essential to the survival, growth and attainment of organizational goals. Leadership roles include decision-making, communication, motivation, selecting and developing people to help actualize goals or policies, etc.

Arising from the above, this study seeks to examine the role of leadership in deregulation of the downstream sector of the Nigerian petroleum industry.

### **1.1 Statement of Problem/Research Question**

It is evident that Nigeria, the supposed giant of Africa, has over the years being plagued by poor leadership and bad governance. This is a problem, especially when examined within the national system of governance and the petroleum industry. As rightly observed by Uga (2003), the pervasive poverty situation in Nigeria has to do with bad governance. Poor leadership and bad governance in Nigeria is manifested in poor management of the nation's resources, coupled with large-scale fraud and corruption. Related to this problem is that despite being among the world's top 10 oil producers, Nigeria relies heavily on imported petroleum products to meet local demands as its own four refineries are functioning at levels beyond optimal capacity.

The one week nationwide strike of January 9<sup>th</sup>-16<sup>th</sup>, 2012 raised pertinent issues concerning the state of affairs of leadership in Nigeria and the petroleum industry. The issues include: excessive high cost of governance, especially among the executive and legislative organs of government; high level of fraud and corruption in the petroleum sector; mismanagement of the nation's oil wealth; lack of transparency and accountability in governance *cum* leadership; and maladministration of fuel subsidy by all parties concerned.

The often repeated claims by the present administration that funds realized from petroleum products subsidy removal will be used to improve our national life is questionable. This is against the background of reckless spending by leaders at the helms of affairs in Nigeria. It has been observed also that Nigerian government at all levels, most especially the political office holders, are chronically deficient in prudent management of resources. Analysts have questioned the rationale behind government's continued sustenance of fuel subsidy to the tune of trillions of naira when such funds could be channeled into infrastructural projects.

Obviously, the intent of fuel subsidy has been defeated owing to problems of leadership and mismanagement of resources. Since the inception of the Federal Government opting for deregulation, several administrations have canvassed and implemented some aspects of deregulation policy such as the raising of petroleum products prices and the granting of licenses to build refineries as means of increasing private sector participation even though we are yet to see the first private refinery in Nigeria.

The administrations of Presidents Olusegun Obasanjo, Umaru Musa Yar' Adua and Goodluck Jonathan introduced the committee system in championing the course of deregulation of the downstream sector of the petroleum industry. The success of these leadership committees, their styles and their roles as regards

deregulation is still under investigations as observation revealed the increment in prices of petroleum products while we await the birth of the first private refinery.

Critics of deregulation policy do opined that despite the good intentions behind it, it is not feasible given the deplorable state of the nation's refineries, roads, railways and other socio-economic infrastructures. The critics listed fixing and building of refineries, availability of petroleum products, provision of an enabling environment for meaningful restructuring of the petroleum sector, repair of roads, fixing the problems around power generation and supply among conditions to be met before deregulation could take off.

It is further observed that the Nigerian petroleum industry lacks credibility in terms of transparency, good governance, corruption and leadership as revealed by the just concluded probe report by the House of Representative. This is a problem.

Concerning price regulation and deregulation, the current situation cannot be said to favour either of them. For instance, diesel was deregulated years ago. Today, it is more expensive. Likewise Dual Purpose Kerosene (DPK) and Premium Motor Spirit (PMS) whose official price is ₦50 and ₦97 per litre respectively is scarcely available. In cases where the products are available, they are sold at high prices.

Consequent upon the above, the following leading questions are raised to direct this study:

1. Does leadership has a role to play in deregulation of the downstream sector of the Nigerian petroleum industry?
2. Has the leadership of Nigeria *vis-à-vis* the petroleum industry been transparent and accountable in the management of the nation's oil wealth?
3. Will deregulation of the downstream sector of the Nigerian petroleum industry open up the sector to foreign investment and creation of jobs?
4. Has government regulation of the Nigerian petroleum industry benefitted Nigerians much?
5. Is the state of our four refineries in terms of the inability to meet the local demand of petroleum products by Nigerians a good reason for importation of petroleum products and deregulation?
6. What is the major problem(s) facing the downstream sector- leadership, management or what?

## 1.2 Objectives of the Study

The objectives of this study are:

1. To assess the role of leadership in deregulation of the downstream sector.
2. To ascertain whether leadership in Nigeria since independence has not been accountable, transparent and prudent in the management of the oil wealth in transforming the lives of Nigerians.
3. To examine whether deregulation of the downstream sector of the Nigerian petroleum industry will open up the petroleum sector to foreign investment and creating of jobs.

## 2.0 Literature Review

### 2.1 Operationalization of Concepts

- **Deregulation:** Deregulation entails opening up of the market and de-monopolization of the hitherto state-owned and managed enterprises (Oparah, 2004). Fashola (2012) conceptualized deregulation as "to allow private enterprises to drive productive activities in the economy of our nation". To him, there are many things that would happen in deregulation and subsidy is one of them.
- **Deregulation of the Downstream Sector:** Reginald (2009) described deregulation of the downstream sector as the opening of the downstream sector to competition where players are to participate at every segment of the value chain and the removal of entry barriers in the supply and distribution of petroleum products. The PPPRA similarly submit that deregulation of the downstream sector means opening up of the downstream sector of the petroleum industry to competition among all players in the industry. It means allowing every player the opportunity to refine or import petroleum products for use in the country in-so far as the product so refined or imported meet quality specification. Igbikiowubo (2011) defined deregulation of the downstream sector to mean loosening the tight rules governing the administration of the downstream sector by opening up the sector to competition among all players in the industry. It means ensuring that every aspect of production, refining, distribution and dispensing of petroleum products is self-financing. Deregulation involves competitive pricing of products.
- **Subsidy:** One of its several definitions denotes a social consideration for the majority in a society. By lowering the price of a commodity (e.g. petroleum products) below the commercial price, those whose buying power is beyond the reach of that essential commodity are able to afford it. This is the meaning that typifies the current situation in Nigeria.  
Oparah (2004) asserted that a situation of subsidy exists when consumers are assisted by the government to pay less than the market price for the product they are consuming. In the same vein, Igbikiowubo (2011) conceptualizes subsidy as the loss of revenue that should otherwise have accrued to the Federation Account if petroleum products were sold to consumers at prices above the cost of refining or importation of products,

including distribution charges. Thus fuel subsidy specifically is the difference between the price a consumer pays for the pump price of fuel and the actual total cost of producing or importing it.

Subsidizing petroleum products amongst other key commodities had its origin when government in the late 1980's took the decision to cushion the effects of the Structural Adjustment Programme which initiated the deregulation of the monetary system thereby decreasing the buying power of majority of ordinary Nigerians.

## **2.2 Rationale for Deregulation of the Downstream Sector**

The monopolistic tendency of NNPC providing all the petroleum products created some features which has made justification for the deregulation of the sector. The features includes: low level of competition, smuggling of petroleum products, monopolistic and sharp practices, existence of petroleum subsidy, poor maintenance of infrastructural facilities, distortions in products supply and distribution, inappropriate pricing of products supply and high level of fraud and corruption.

According to the PPPRA, Reginald (2009) and Igbikiowubo (2011), the Federal Government of Nigeria wants to deregulate the downstream sector of Nigeria oil industry in order to:

- Ensure that petroleum products are made available to the consumers in an uninterrupted manner.
- Eradicate waste and corruption which are consequences of tightly regulated economy.
- Ensure that the supply and distribution of petroleum products are orderly and consumer friendly.
- Channel money realized from the exercise to development projects that will be beneficial to the majority of the people.

Notwithstanding the above, the office of the Chief Economic Adviser of the president in collaboration with the NNPC and the budget office of the Federation asserted that the rationale behind the Federal Government's plan to deregulate the downstream petroleum sector includes:

- To improve the efficient use of scarce economic resources by subjecting decisions in the sector to the operations of the forces of demand and supply.
- Deregulation will further reduce economic waste and lightens social burdens caused by government control.
- To expand opportunities for economic growth, a competitive sector and help achieve greater cost effectiveness.

Furthermore, Allison Madueke (2011) harped on the imperatives for deregulation of the downstream sector to include:

- Saving of cost in petroleum subsidy.
- Job creation opportunities.
- Downtime record in the existing refineries.
- Investment opportunities or foreign direct investment in the sector.

## **2.3 Benefits of Deregulation of the Downstream Sector of the Nigerian Petroleum Industry**

Boyi (2009) posited the following as benefits of deregulation of the downstream sector: removal of inefficiency and wastages; improved services and facilities; and freeing of funds for government to do other development projects.

According to Maku (2011, 2012), deregulation of the downstream sector is meant to grow the economy, creation of jobs for Nigerians, expansion of the downstream sector, encourage private investors in the oil industry and increase competition .

As Reginald (2009) observed, the following are the merits of deregulation: products availability; full cost recovery; response to changing circumstance without political intervention; competition and efficiency will drive prices downward; entry of new participants; facility expansion and investment in the sector.

The benefits of deregulation of the downstream sector according to the NNPC are availability of products; non-hoarding of fuel; investment in new facilities- storage tanks, retail outlets trucks, etc; competition among marketers; expansion of facilities; jobs creation and importation of products than sole dependence on NNPC.

Conclusively, deregulation of the downstream will provide a more stable and enabling macroeconomic environment that will guarantee safety of, and reasonable returns, on investments. This is the only encouragement of private sector development and ownerships of downstream infrastructures-refineries, depots, pipelines, and associated facilities. Further business opportunities abound when total or complete deregulation comes into practice. The opportunities include lubricants manufacturing, LPG supply, and fabrication of pumping facilities and accessories as well as local content of enhancement potentials.

## **2.4 Strands of Thoughts on Leadership**

Leadership is a defining character possessed by those who oversee the affairs of men and have the ability to

motivate the governed or led towards a prosperous nation or blissful society (Mudiaga-Odje, 2012). Leadership is described as “an exercise in language that results in the realization of a future that wasn’t going to happen anyway, which future fulfills (or contributes to fulfilling) the concerns of the relevant parties (Erhard, W. et al, 2012). Wehrich et al (2008) defined leadership as influence, that is, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. Hambleton (2007) sees leadership as “shaping behaviour to achieve common goals”. Northouse (2007) is of the view that leadership is a process whereby one individual influences a group of individuals to achieve a common goal. Leadership, to him, is a process of directing the behaviour of others towards the accomplishment of some common objectives. Leadership is influencing people to get things done to a standard and quality above their norm and doing it willingly.

Lægaard and Bindslev (2006) submit that leadership is influence on other people-regardless of reason. Similarly, leadership as defined by Hanmagan (2002) refers to the process of motivating other people to act in particular ways in order to achieve specific goals. According to Cole (2002), leadership is a dynamic process at work in a group whereby one individual over a particular period of time, and in a particular organizational context, influences the other group members to commit themselves freely to the achievement of group tasks or goals. The Roman Catholic Diocese of Rochester defined leadership as “the process of influencing the behaviour of other people towards group goals in a way that fully respects their freedom”.

Hogg (2001) asserts that leadership is about how some individuals or cliques have disproportionate power and influence to set agenda, define identity, and mobilize people to achieve collective goals. However, Marion and Uhl-Bien(2001) posit that leadership is tending to growth, fitness, innovation, and the future of organizations. In a similar vein, Chemers(2001) is of the opinion that leadership is very much a group process. Furthermore, Hogg and Reid (2001) defined leadership as a process of influence that enlists and mobilizes the involvement of others in the attainment of collective goals; it is not a coercive process in which power is exercised over others.

According to Brian (2000), leadership is not a position, it is an action. This statement is in agreement with Maxwell (2008) who asserted that leadership is more disposition than position. Leadership is more than having the authority of a management or supervisory position. He noted that when you influence others to follow, they do so because they like you, stand in awe of you (referent power), or because they believe you have special expertise to support their efforts (expert power). Still on the definition of leadership, Plunkett and Attner (1997) defined leadership as the process of influencing individuals and groups to set and achieve goals. According to them, leadership involves three set of variables: the leader, those being led, and the circumstances and situations they find themselves facing.

John Maxwell (1998) forcefully submits that leadership is influence-nothing more, nothing less. James(1996) further described leadership as about getting people to abandon their old habits and achieve new things, and therefore largely about change- about inspiring, helping, and sometimes enforcing change in people. According to Hogg (1996a), leadership is viewed as a product of individual information processing, not as a structural property of real groups or as an intrinsic or emergent property of psychological in-group membership. To Cole (1995), leadership is a social process in which one person in a group harness the knowledge, skills and motivation of the other members in the attaining of group goals. This process implies the consent-willing or grudging- of the group. Leadership involves managing the external boundaries of the group, as well as dealing constructively with the member’s internal responsibilities, roles and relationships. As Harry Truman, former U.S President, copiously observed, leadership is the ability to get men (women) to do what they don’t like to do and like it. In a similar vein, Sherman (1995) defined leadership as the ability “to get people to follow voluntarily”. To him, today’s standard of leadership is influencing human behaviour in an environment of uncertainty.

Burns (1978) submits that “the essence of leadership in any polity is the recognition of the real need, the uncovering and exploiting of contradictions among values and between values and practice, the realigning of values, the reorganization of institutions where necessary, and the governance of change. The leader’s fundamental act is to induce people to be aware or conscious of what they feel: to feel their true needs so strongly, to define their values so meaningfully, that they can be moved to purposeful action”. To him, leadership is centred on the concepts of the moral betterment of followers, and the power of leadership to create true transformation and change.

Leadership is the capacity to translate vision into reality (Bennis, 1982). Moloney (1979) defined leadership as a process whereby the leader can influence others to perform beyond those activities commanded by individuals in formal authority positions. Also, leadership occurs when one person induces others to work toward some predetermined objectives (Massie, 1979).

Katz and Kahn(1978) defined leadership as the incremental influence of position holders exercised via direct and indirect means to maintain and/or alter the existing dynamics in and of a system. Davis (1942) pungently argues that leadership is the principal dynamic force that stimulates, motivates, and co-ordinates the organization in the accomplishment of its objectives. Reuter (1941) similarly asserts that leadership is the result

of an ability to persuade or direct men, apart from the prestige or power that comes from office or other external circumstances. According to Schmidt (1933), leadership may be broadly defined as the relation between an individual and a group built around some common interest and behaving in a manner directed or determined by him.

From the plethora of definition on leadership, the following can be deduced as components of leadership:

- a) Leadership is influence.
- b) It is a dynamic process.
- c) It is inevitable for attainment of goals/tasks.
- d) It is centrally concerned with people and responsibilities for people.
- e) It is a product of psychological matrix between traits, behaviour and situation.
- f) It involves actions.

## 2.5 Leadership Styles

Leadership styles refers to the preferred manner of tackling task and personal issues in delivering the goals set for the group (Cole,1995).There exists diverse leadership styles according to scholars based on their perception. Wehrich et al (2008), Plunkett and Attner (1997), Cole (1995) and Westley and Mintzberg (1989) classified leadership styles into three-Autocratic, Democratic or Participative, and Free-Rein leadership styles.

Autocratic leadership style: This is a leadership style in which the leader does not share decision-making authority with subordinates. All authority resides with the leader. It is sometimes called the “I” style.

Democratic or Participative leadership style: This is a leadership style in which the leader shares decision-making with followers. It is sometimes called the “We” style.

Free-Rein leadership style: This is a leadership style in which a leader shares decision-making authority with followers, empowering them to function without direct involvement from leaders to whom they report. However, Plunkett and Attner (1997) asserted that leadership styles result from philosophies about choices of decision-making styles, and their emphasis in work environment-whether they focus on tasks or people.

Goleman (2004) identified six styles of leadership which are: *Coercive*-demands immediate use of force or treat; *Authoritative*-mobilizes people toward a vision; *Affiliative*-creates emotional bonds and harmony; *Democratic*-builds consensus through participation; *Pacesetting*-expects excellence and self-direction; and *Coaching*-develops people for the future.

He stressed that the best leaders have all these styles in their repertoires, switching among them to produce the most powerful results. Furthermore, he identified emotional intelligence (EI) as the bedrock of successful leadership. EI, he explains, comprises five core competencies: Self-awareness, Self-regulation, Empathy, Motivation and Social skills. The best leader, he opined, mix and match these competencies, applying styles that best suit particular challenges. He builds on his EI theory by identifying six basic leadership styles, as above, all of which entails combination of the five EI competencies. The best leader, he maintains, don't use just one style of leadership-they are skilled at several, and they switch easily among styles as circumstances dictate.

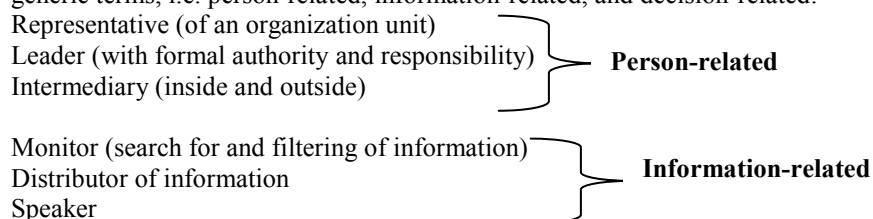
In sum, there is no one best way or style of leadership. The best way to leadership is determined and characterized by the situation the leader finds himself or herself. Thus, leadership is situational

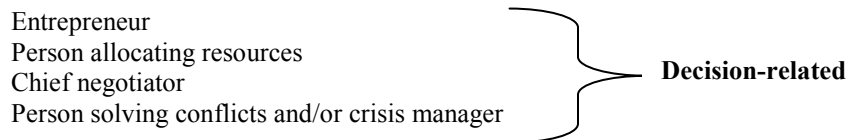
## 2.6 Roles of Leadership

According to Heifetz and Laurie (2001), one function of leadership is to produce change, and setting the direction of that change is fundamental to leadership. To them, the direction setting aspect of leadership creates vision and strategies. Other roles of leadership include responsibility for providing direction, protection, orientation, managing conflict, and shaping norms. They posited that a leader has to have the emotional capacity to tolerate uncertainty, frustration and pains.

Baale (2011) enlisted the following as contemporary leadership roles: mentoring, providing team leadership, and self leadership. Expanding it further, he asserted that leadership roles involve envisioning, empowering, enabling, energizing, executing and excellence.

Mintzberg, in Schust (2011), asserted that there are ten leadership roles for which he created three generic terms, i.e. person-related, information-related, and decision-related:





According to Munroe (2012), leadership roles include: provision of vision, energy, motivation, initiative, for human; provision of passion to inspire others to a noble cause; and provision of influence to move from the known to the unknown.

Other leadership roles include:

1. Problem Solving: it means the scanning of leadership environment(s) in identifying challenges, issues and problems of prime importance to the achievement of set goals/objectives and then providing solution. A problem can relate to a hurdle(s) in the goal deliverables or any other process matter. For instance the issues of Boko Haram activities, terrorism *cum* insecurity in Nigeria constitute problem.
2. Change Agent and Management: Major changes are inevitable and thus demands effective leadership. Being a change agent means challenging the status quo and doing things innovatively to meet the needs of the organization or groups. In change management, leadership provides direction (by identifying the organization's adaptive challenge), protection (by managing the rate of change), orientation (to new roles and responsibilities by clarifying realities and key values), manage conflicts and shape norms (maintain those norms that must endure and challenge those that need to change Leadership is the most important factor in change management (Romano, 1995). Therefore, leaders initiate and facilitate change (Huey, 1994).
3. Decision-Making: It entails critical and creative examination of issues, opinions, information on particular areas using the Strength Weakness Opportunities and Threat (SWOT) technique and then coming out with a final action plan in solving a problem. Leadership is synonymous with decision-making. A decision has not been made until people know: the name of the person accountable for carrying it out; the deadline; the names of the people who will be affected by the decision and therefore have to know about, understand, and approve it-or at least not be strongly opposed to it- and the names of the people who have to informed of the decision, even if they are not directly affected by it.
4. Communication: It is a process of passing information and understanding to one or more persons. It is a means by which behaviour is modified, change is affected, and information or policy is made productive in order to achieve predetermined goals. Communication is the backbone to successful leadership and implementation of policies, such as the deregulation policy, as it provides the link which binds an organization or a group together in order to evolve common understanding (Rogers et al, 2001). Without communication, other communication roles will be unsuccessful.
5. Motivation: It is a goal-directed behaviour which involves getting people to move in the direction you want them to go in order to achieve a result or goal. Motivation is an influence on behaviour vis-à-vis commitment to a course of action.
6. Leadership Development: It is the process of shaping and sharpening the skills of leaders and followers to be able to create a sense of mission; engage and motivate others, build an adaptive and agile social architecture; generate and sustain trust; develop leaders and followers; and get results. It is about the "future" state of an organization or the group. This view is aptly supported by Raplh Nadir, when he said "the function of leadership is to produce more leaders, not more followers". Also, Harvey S. Firestone opined that "the growth and development of people is the highest calling of leadership".
7. People Management: This role relates to policies and procedures which govern how people are managed and developed.

Given the foregoing, the role of leadership in deregulation of the downstream sector of the Nigerian petroleum industry can be summarized as follow:

There are challenges/problems that needs to be solved in the petroleum industry with emphasis on the downstream sector (problem-solving); change is necessary- it needs an agent and management(change agent and management); a decision has to be made (decision-making, i.e. deregulation); the decision made has to be communicated(communication); motivation is needed to drive the decision(s) made and communicated(motivation);leaders have to be developed to drive home the changes and reposition the petroleum industry (leadership development); people to implement the decision(s) need to be managed(people management); and lastly good governance is needed to sustain the system.

### **2.7 Leadership and Deregulation of the Downstream Sector of the Nigerian Petroleum Industry**

From the Nnamdi Azikiwe/Tafawa Balewa partnership of the late 1950s to the incumbent administration of President Goodluck Ebele Jonathan's administration, issues of leadership and the petroleum sector has always been in the front burner. No day passes without reference to the aforementioned items in the National dailies.

Corruption and bad leadership are two giant enemies of Nigeria (Adeshina, 2012). The years of mismanagement and inept leadership have led to the social and political dislocation in Nigeria (Ribadu, 2012). As Schust (2011) puts it, more than two thirds of all problems in our society result from a decrepit leadership culture in economy and politics which now allows for indispensable reforms.

According to Braide (2003), some Nigerians hold the view that deregulation cannot be complete, be it in the downstream sector or in any other sector of the national economy. Therefore, deregulation of the Nigerian petroleum industry should be implemented in phases, so as to enable the state-owned monopolies to gain efficiency, before their full deregulation. Another school of thought believes that Nigerian petroleum industry must not be liberalized, deregulated or privatized completely, for whatever reason, and that the status quo remain, may be, with some minor fine-tuning made “here and there: to improve efficiency as appropriate in the overall national interest. However some others insist that complete deregulation should proceed without further delay for the continued and meaningful survival of the Nigerian petroleum industry in the 21<sup>st</sup> century.

Braide (2003) summarized the likely scenarios or probable mode of the implementation of the deregulation process in Nigeria into: supply side deregulation and demand side deregulation, complete deregulation, phased deregulation, and retention of the status quo.

Deregulation of the downstream sector is the best panacea to the continuous crisis of interruptions and scarcity of petroleum products (Ibrahim, 2009). To him, regulated market means continuous government subsidy on equalization funds; funds designed to ensure that products are sold at uniform prices in all nooks and crannies of the country, but which has never met its designed objectives. Similarly, Loretta (2004) posited that deregulation of the downstream sector is the only remedy to the abnormalities inherent in the industry. This view is also held by President Goodluck Jonathan administration.

Currently, Nigeria operates a partial deregulation policy in the downstream sector. Petrol and kerosene prices are regulated while diesel is fully regulated.

Grave threat to the existence of Nigeria and our future stability lies in leadership. The inability of Nigeria to attain greatness 50 years after independence is faulted on bad and visionless leadership (Ribadu, 2010). According to him, since independence, Nigeria has produced a leadership which has presented the biggest formidable obstacle to the creation of a free, just, equitable and democratic polity. The major problem of leadership in Nigeria is corruption.

Given the foregoing, Achebe (1983) might be probably right when he said that leadership is the main problem facing Nigeria. There are many problems in Nigeria, but that which involves leadership is difficult to comprehend. Obviously, organizations and nations that lack leadership may not compete positively in the global economy of today. The state, especially political office holders should “de-emphasize undue interference in government parastatals so as to promote professionalism and efficiency.

Leadership is more disposition than position; it is about action (Maxwell, 1998). Leaders lead the people who manage the processes.

Recent thinking in leadership is dominated by contingency theory, which says that leadership is dependent on a particular situation. Given that there are endless contingencies in life, especially in the Nigerian environment, there are endless varieties of leadership. Therefore different situation calls for different leadership styles in Nigeria with regards to the challenges in the petroleum industry.

Leadership has faced more challenges in Nigeria and its relevance and effectiveness is highly sought for given the economic situation in the country. Deregulation of the downstream sector in Nigeria covers a wide spectrum and the role of leadership is of vital importance. As regards deregulation of the downstream sector, Nigeria needs credible leadership to transform the nation inside out which will in turn transform the lives of her citizenry.

Against this background, the opinion of Kotter (2001) holds very true. According to him, leadership is about coping with change given that the business world in recent years have become more competitive and more volatile. Faster technological change, greater international competition, the regulation of markets, an unstable oil cartel, and the changing demographics of the workforce are among the many factors that have contributed to this shift. This therefore demands more leadership for survival and effective competition.

### **3.0 Methodology**

The survey research design was adopted in collecting data for this study. . The instrument used for data collection was a Five Point Likert attitudinal scale questionnaire. Data collected for the study were analyzed by the researcher using frequency counts, simple percentage (%) and mean score ( $\bar{x}$ ). A mean score of three (3) and above is regarded as an accepted mean to test research question. While a mean score of 2.99 and below was regarded as rejection to test the research question.

### **4.0 Data Presentation and Analysis**

A total of 310 questionnaires were randomly distributed to respondents across Delta, Edo and Bayelsa States



using the simple random sampling technique. Out of the 310 distributed, 230 questionnaires representing 74.2% were filled and returned while 80 questionnaires representing 25.8% were not returned. Thus, the working population for this study is 230.

This study's population comprises educational institutions (Petroleum Training Institute, Effurun; Federal University of Petroleum Resources, Effurun; Bamotobs Prevocational Academy, Imiringi- Bayelsa State), Professional Institutes (Nigerian Institute of Management, Warri Chapter, Chartered Institute of Personnel Management of Nigeria, Delta State Chapter), staff of oil & gas companies (Warri Refining & Petrochemical Company, Nigerian National Petroleum Corporation, Pipelines and Products Marketing Company, and private firms), and members of the general public in Delta, Edo and Bayelsa States.

Results of data collected are shown in the table below.

**TABLE 1: Respondents' Response to Questionnaire**

Variables	SA	A	SD	D	U	Total	Mean (x) <sup>-</sup>
Petroleum subsidy is excessively high.	18 8%	143 62%	43 19%	2 1%	24 10%	817 100%	3.55
Petroleum products subsidy poses problem or challenges to the socio-economic development of the country.	—	141 61.3%	62 27%	4 1.7%	23 10%	781 100%	3.40
Corruption is prevalent or very obvious in the petroleum industry.	2 1%	212 92%	6 2.6%	4 1.7%	6 2.6%	890 100%	3.87
The poor functioning state of our refinery is a good reason for deregulation.	—	158 69%	64 28%	7 3%	—	838 100%	3.64
Petroleum products subsidy breeds corruption and inefficiency in the petroleum sector.	5 2.2%	159 69.1%	50 21.7%	—	16 7%	827 100%	3.60
The petroleum industry is the most dynamic, vibrant and strategic sector of the Nigerian economy.	8 3.5%	195 84.8%	23 10%	4 1.7%	—	897 100%	3.9
Deregulation of the downstream sector will lead to economic growth and development.	—	191 83%	2 0.9%	32 13.9%	5 2.2%	839 100%	3.64
Deregulation of the downstream sector will open up the sector to foreign investment and creation of jobs.	8 3.5%	191 83%	15 6.5%	—	16 7%	865 100%	3.76
Total deregulation of the downstream sector will reduce if not totally eliminate the crisis in the petroleum sector.	—	159 69.1%	39 17%	7 3%	25 10.9%	792 100%	3.44
Nigerian leadership since independence has been unable to utilize oil wealth to transform the lives of her citizens.	—	217 94.4%	—	10 4.3%	3 1.3%	891 100%	3.87
Leadership has roles to play in deregulation of the downstream sector of the Nigerian petroleum industry.	28 12.2%	193 83.9%	—	6 2.6%	3 1.3%	927 100%	4.03
The Nigerian petroleum industry is beset with leadership problems.	—	198 86%	2 1%	17 7%	13 6%	845 100%	3.67
Leadership in the petroleum sector has not been transparent and accountable.	3 1%	205 89%	13 6%	—	9 4%	883 100%	3.84
The importation of petroleum products to meet local demand in Nigeria is attributable to leadership/management problem.	—	200 87%	8 3.5%	12 5.2%	10 4.3%	858 100	3.73

Source: Field Survey (2012)

#### 4.1 Summary of Findings

1. Petroleum subsidy is excessively high and it poses problem or challenges to the socio-economic development of the country. Also, petroleum subsidy breeds corruption and inefficiency in the petroleum sector.

2. The poor functioning state of our refineries is a good reason for deregulation.
3. Corruption is prevalent or very obvious in the petroleum industry. The subsidy probe report recently released by the committee in the House of Representatives obviously is in agreement with this finding.
4. The petroleum industry is the most vibrant and strategic sector of the Nigerian economy.
5. Deregulation of the downstream sector will open up the sector to foreign investment and creation of jobs thus leading to economic growth and development.
6. The Nigerian petroleum industry is beset with leadership/management problems hence the importation of petroleum products to meet local demand in Nigeria.
7. Leadership in Nigeria since independence has not been transparent and accountable and thus unable to utilize oil wealth to transform the lives of Nigerians.
8. There exists fuel subsidy and there is a call on its removal immediately when all the necessary measures have been put in place to caution its effects on Nigerians so as to make it work successfully.

## 5.0 Recommendation

The Nigerian petroleum industry is a strategic and sensitive sector. Almost all economic activities revolve around this sector hence anything happening in this sector calls for attention by all and sundry. The following recommendations are made with a view to repositioning the petroleum sector for efficiency and effectiveness.

1. Attitudinal changes towards leadership are required at different levels in both public and private spheres of our national life.
2. There must be good governance. People in governance, private and public, and the petroleum industry should have a re-orientation on offering service(s) to the society. They must be selfless and not see public service as an avenue for self-aggrandizements, or to amass wealth.
3. Strategic management of the petroleum sector by government and all individuals in strategic positions in the petroleum industry. Transparency, accountability and integrity should be exemplified in the petroleum industry and institutions of government.
4. Punitive measures be meted out against all person(s)/institutions involved in mismanagement of the nation's oil wealth.
5. Stabilization and revamping the refineries for optimum domestic production.
6. Reduction in the cost of governance.
7. Involvement of stakeholders in matters of importance as regards policy design, development and implementation. Lessons should be learnt from the nation-wide strike of 9<sup>th</sup>-16<sup>th</sup> January, 2012 on the policy of subsidy removal by government. The masses are ready to react over government's actions. The imperativeness of visionary, strategic, exemplary and transformational leadership cannot be overemphasized.
8. Policies should be well timed and communicated.
9. Management and leadership in the petroleum sector, NNPC and its subsidiaries are to be completely overhauled.

## 6.0 Conclusion

Findings from this study revealed that all is not well with leadership in *the petroleum sector and Nigeria. The recent probe report on the fuel subsidy management cum the petroleum sector by the Hon. Farouk Lawan led adhoc Committee of the House of Representative attest to this where over one trillion, sixty-seven billion, forty million, four hundred and fifty-six thousand, one hundred and seventy one naira and thirty-one kobo (₦1,067,040,456,171.31) oil subsidy fraud was reported. The issue of leadership, its roles and the debate it has generated in Nigeria remains an unending one. This underscores the importance of leadership.*

The missing \$20 billion in the Nigerian National Petroleum Corporation (NNPC) and the devaluation of the Nigerian currency (Naira) against the fall of crude oil prices in the international oil market amidst other issues leaves much to be desired of leadership.

In a fast moving world of today, there is need for a new orientation as to how things are done. There is constant need to change what we do in leadership and how we do it irrespective of the sectors we find ourselves and position(s) we occupy. Amidst circumstances of uncertainties, changes and challenges in the petroleum sector, Nigerians are looking for help in understanding questions about what matters, what to do, what direction to take. Providing Nigerians with answers is the essence of leadership roles.

Leaders cannot exist without followers, nor do followers exist without leaders. Therefore leaders should take cognizance of critical needs (hope, stability, compassion and trust) of followers, understands them and help meet them. Changes in the structure of governance and organizations have resulted in the need for leaders to be strategic, visionary, exemplary and transformational.

Conclusively, leadership across all spheres of human endeavour demands support from followers. To make leadership work in the petroleum industry and Nigeria as a nation, all hands must be on deck.

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#### **Acknowledgement**

To God Almighty we appreciate. We also acknowledge the assistance and supports from Mr. Barry Pere Gbe (Ph.D in View), Mr. Alex Ighoro (Ph.D in View), Engr. Stephen Ofurhie, Ms. Juliana Etsole of Odogun Nigeria Limited, Madam Florence Ubeku of DESOPADEC, Executives and Members of the Delta State Branch of Chartered Institute of Personnel Management of Nigeria (CIPM) and the Executives and Members of Nigeria Institute of Management (NIM), Warri Chapter in conducting this research work and making valuable contributions.

Many thanks goes to the entire families of Mr. & Mrs. London O.A. Nkogbu and Late Mr. Mode Amos & Mrs. Janet Okorodudu for the financial assistance, encouragement and all-round support in undertaking this research work.

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