Comparative Case Study of Change in the Electricity Industries in New Zealand and The Gambia

A thesis
submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy in the Department of Management University of Canterbury

by
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University of Canterbury 2000
ACKNOWLEDGMENTS

During the course of my doctoral research I interacted with many people and I wish to extend my sincere gratitude to all those who have contributed to the work and have helped me in one way or another during the research period. An attempt to enumerate all would be impossible however, a few names need to be mentioned as without their help I would have been unable to pursue the study that has culminated with the writing of this thesis.

First and foremost, my sincere thanks go to God my creator for guiding and protecting me and making it possible to achieve the task that was set before me.

I wish to thank the University of Canterbury for awarding me a Doctoral Scholarship and in particular Mr. Jonathan Carson with whom I was in contact for almost three years trying to secure the necessary funding for a PhD degree. Without Jonathan’s help this would not have been possible. I must also thank the Ministry of Foreign Affairs and Trade for supplementing my Doctoral Scholarship with a New Zealand Official Development Assistance Scholarship which paid the difference between home and international tuition fees as well as funding my overseas trips. I would like to extend my sincere thanks to Dr. John Pickering for so ably administering this portion of my scholarship. It was indeed a pleasure to work with John.

I must extend my sincere thanks to Dr. Ian Brooks and Dr. V. Nilakant who together supervised this work. Their guidance, suggestions, criticisms and patience were very valuable and I am very much indebted to them. The Department of Management was
very helpful in not only providing me with an office and the facilities required to undertake research, but also provided research funds for use within New Zealand.

I wish to thank my family in The Gambia, the United Kingdom and the United States of America who have followed the progress of the various projects I have been involved with and have encouraged me all the way through. Without their support and encouragement I don’t think I would have had the endurance to persevere for so long pursuing academic credentials.

I wish to thank all respondents who were part of the study. Without their help this work would not have been completed. I must also thank my friends in New Zealand who have helped in making the whole exercise a pleasurable experience. In particular I must thank Ruth Ollett for her encouragement and support during the past three years. I must also extend my thanks to Michael Duncan for not only being a roommate, but also a colleague and a friend. I was able to bounce ideas off Mike and discuss a lot of issues pertaining to electricity industry restructuring with him.

God Bless you all.

Thomas Hamilton Forster
March 2001
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List of Abbreviations Used in the Thesis

AT - Agency Theory
BEECL - Banjul Electrical Engineering Company Ltd
BWSC - Burmeister & Wain Scandinavian Contractor
CEO - Chief Executive Officer
D - Dalasi (Gambian Currency)
ECNZ - Electricity Corporation of New Zealand
EEC - European Economic Community
EIR - Electricity Industry Reform
EPB - Electric Power Board
EPC - Electricity Power Company
ERP - Economic Recovery Programme
ESBI - Electricity Supply Board of Ireland
ESC - Energy Steering Committee
G11 - Generator No.11
GAMTEL - Gambia Telecommunications Company Ltd
GDP - Gross Domestic Product
GGC - Gambia Groundnut Council
GPA - Gambia Ports Authority
GUC - Gambia Utility Corporation
HVDC - High Voltage Direct Current
IMF - International Monetary Fund
IPP - Independent Power Producer
IT - Information Technology
JV - Joint Venture
KPMG - Kynveld Peat Marwick Goerdeler
KWh - Kilowatt Hour
LDC - Less Developed Country
LRMC - Long Run Marginal Cost
MBA - Master of Business Administration
MD - Managing Director
MED - Municipal Electricity Department
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>MLC</td>
<td>Management Lease Contract</td>
</tr>
<tr>
<td>MMP</td>
<td>Mixed Member Proportional</td>
</tr>
<tr>
<td>MSG</td>
<td>Management Services Gambia Ltd</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatt</td>
</tr>
<tr>
<td>NAWEC</td>
<td>National Water and Electricity Company</td>
</tr>
<tr>
<td>NIB</td>
<td>National Investment Board</td>
</tr>
<tr>
<td>NIE</td>
<td>New Institutional Economics</td>
</tr>
<tr>
<td>NUDIST</td>
<td>Non-numerical Unstructured Data Indexing, Searching and Theorising</td>
</tr>
<tr>
<td>NZ</td>
<td>New Zealand</td>
</tr>
<tr>
<td>NZED</td>
<td>New Zealand Electricity Department</td>
</tr>
<tr>
<td>NZEM</td>
<td>New Zealand Electricity Market</td>
</tr>
<tr>
<td>NZSE</td>
<td>New Zealand Stock Exchange</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation of Economic Co-operation and Development</td>
</tr>
<tr>
<td>PE</td>
<td>Public Enterprise</td>
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<tr>
<td>PR</td>
<td>Property Rights</td>
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<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
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<tr>
<td>SCI</td>
<td>Statement of Corporate Intent</td>
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<tr>
<td>SOE</td>
<td>State Owned Enterprise</td>
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<tr>
<td>SSC</td>
<td>State Services Commission</td>
</tr>
<tr>
<td>SSHFC</td>
<td>Social Security and Housing Finance Corporation</td>
</tr>
<tr>
<td>T&amp;D</td>
<td>Transmission and Distribution</td>
</tr>
<tr>
<td>TCE</td>
<td>Transaction Cost Economics</td>
</tr>
<tr>
<td>UHC</td>
<td>Utilities Holding Corporation</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>VIP</td>
<td>Very Important Person</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
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Abstract

This thesis examines the content and process of change associated with deregulation of the electricity industries in New Zealand and The Gambia by studying the scope of change, the process of implementation, the obstacles to change and the outcomes of change. The study employs a case study methodology using semi-structured interviews for primary data collection. A total of fifty-one respondents comprising senior managers, consultants and administrators were interviewed in both countries. Both manual and computer-aided analyses was carried out. Apart from providing a better understanding of the change process, the study makes three contributions to the literature on organisational change. First, it shows that internally initiated, controlled and implemented change processes are more likely to achieve their desired outcomes compared to change processes initiated, controlled and implemented from outside the organisation. Second, it demonstrates the crucial role of trust in facilitating effective change. Third, it illustrates the importance of the selection process in establishing and nurturing trust in organisations.
Chapter 1

Introduction

1.1 Overview

The oil shocks of the early and late seventies resulted in a general decline in most world economies. Most of these economies were government controlled and government commercial activities made a significant contribution to the gross domestic product (GDP) in these countries (Bollard and Buckle, 1987). Government controlled companies undertaking commercial activities were, in most cases, found to be performing less well than similar companies in the private sector (Kent, 1987; Babai, 1988; Kikeri, Nellis and Shirley, 1992; Mathieu, 1996). With the worsening of economic conditions in the eighties, most governments, therefore, decided to carry out reforms to make their economies more vibrant and better able to withstand future shocks. Most governments embarked on economic liberalisation programmes. Included in these liberalisation programmes was the reform of state trading activities (Vickers and Yarrow, 1988). Reforms in most countries were motivated by a concern to establish structures and procedures that would contribute to, rather than impede, organisational efficiency and effectiveness (Boston et. al, 1991). Most countries embarked upon organisational change in the state-trading sector that involved the introduction of some form of privatisation into the sector.

This study examines the changes that have taken place in the electricity industries in New Zealand and The Gambia. New Zealand started its economic reform process in 1984 and since then it has been at the forefront of change in the OECD (Bollard and
Mayes, 1991; Duncan and Bollard, 1992; Massey, 1995) in both government commercial activities and the core public sector. The reforms adopted in New Zealand have become models which have won acclaim from institutions such as the World Bank (WB) and the International Monetary Fund (IMF). Some of the reforms introduced in New Zealand have been adopted as international models and formed the basis for reform in other OECD countries (Boston et. al., 1996; Spicer et. al., 1996).

Being a third world country devoid of any natural resources, The Gambia is dependent on aid from Western countries and Western lending agencies to assist it in its economic development. A substantial part of the state budget in The Gambia comes from the external aid received from donor countries and bilateral partners. As a result of this dependence on external sources for aid, external agencies made future aid to The Gambia contingent on the country undertaking economic liberalisation programmes. Several reform programmes have been initiated but these have mainly been confined to fiscal reform and reform in state trading activities.

Economic efficiency in the electricity industry in any country is important as electricity is an engine of economic growth. The efficiencies obtained in the electricity industry could translate to other sectors of the economy as electricity is utilised in almost all sectors of an economy. In both New Zealand and The Gambia changes were carried out to establish structures and procedures that would enhance the efficiency and effectiveness of their respective electricity industries. In order to remove the tight government controls of the seventies in both industries, there was a revitalisation of managerial structures and the extrication of managerial authority from the constraints of centrally prescribed rules and procedures.
Internationally, privatisation has been widely adopted to bring about economic reform in public enterprises (Mascarenhas, 1991). In New Zealand, change in state trading activities in the electricity industry came in the form of corporatisation followed by deregulation, whereby the industry was opened up to competition. Further privatisation in the form of the reallocation of property rights was carried out in a few sectors of the industry (particularly on the demand side – distribution and retailing), although the bulk of the industry (the supply side – generation and transmission) still remains under government control.

In The Gambia, change in the electricity industry came through the parastatal route (in most developing countries, especially in Africa, state owned enterprises are known as parastatals), where the industry was expected to operate commercially. This change was similar to the corporatisation programme in New Zealand. Change in the industry in The Gambia also occurred through a management lease where the operational aspect of electricity provision and distribution was contracted out to a private sector company. The government in recent years has become more open to more private sector participation in the electricity industry by encouraging the introduction of Independent Power Producers (IPP) in the industry. Further privatisation is an option that is under serious consideration, but at present all electricity assets in The Gambia are vested in the State.

1.2 Research Design

This study was guided by a set of research questions that could best be answered using a qualitative methodology. Qualitative techniques are appropriate in the
investigation of dynamic processes such as a change process (Merriam, 1988; Miles and Huberman, 1994). Qualitative techniques are able to capture, describe, decode and interpret the precise meanings of phenomena occurring in their normal and social contexts (Fryer, 1991). A case study method of inquiry was chosen for the study, as it was considered suitable to gain an in-depth understanding (Merriam, 1988) of the change process. A multi-case design was used for the investigation because with multi-case designs it is possible to understand how the cases forming the study are affected by local conditions (Miles and Huberman, 1994). This understanding, according to Miles and Huberman (1994), assists in the development of sophisticated descriptions and powerful explanations of the phenomenon under study. A multi-case design also allowed me to evaluate and contrast the consequences of the rather different trajectories of transformation that occurred in the two countries. An inductive approach was used in the investigation. There were no a priori theoretical propositions, as the aim of the study was to better understand the process of organisational change and to examine the context in which change occurred.

1.3 Significance of the Study

The research described in this thesis is important for a number of theoretical and practical reasons. First, the majority of studies on organisational change have been carried out in single country settings focusing mainly on Western experiences. There is a dearth of organisational change studies in less developed countries (Hanke, 1987). This study, which is comparative in nature, has the potential of furthering our understanding of the process of change by comparing the experiences of a developed country with the experiences of a developing one. It also has the potential of contributing to the scholarly literature on the organisational change process.
Comparative studies are always of interest to scholars as very useful lessons can be learnt from such studies (Castles et al., 1996). Such a study can provide a more systematic knowledge to the field and a more explanatory account of the change process, as it has evolved in the two countries. It also has the potential of filling the existing gaps in our understanding of the process of change, especially in LDCs.

Second, the global economic landscape is undergoing unprecedented change and that is clearly evident in the adoption of privatisation as a strategy on a worldwide basis (Newman, 2000). There are many benefits that could be achieved through global integration and privatisation (Rutland, 1997). One such industry that could benefit from global integration and privatisation is the electricity industry. Many electricity companies are in the process of forming global alliances and it is an industry where significant change has been experienced and continues to be experienced worldwide. This makes the industry suitable for the study of the process of organisational change. New Zealand has been at the forefront of electricity reform, and this study, which details the changes in New Zealand and their consequences together with the changes in The Gambia, will have potential application worldwide. Such a study will be of interest to those countries contemplating undertaking electricity reforms of their own. It will also be of interest to those countries that are contemplating going into partnership arrangements with other countries.

Third, this study looks at organisational and institutional changes that have been internally generated and organisational and institutional changes that have been prescribed from outside. The study has the potential of contributing to a better
understanding of internally versus externally generated change programmes and their consequences.

1.4 The Gambia and New Zealand Electricity Industries

The New Zealand electricity industry is made up of generation, transmission, distribution and retailing sectors. The generating system consists of two AC sub-systems, based in the North and South Islands respectively. Most of the electricity generated is produced in the South Island whereas consumption is greater in the North Island. Due to this disparity in supply and consumption concentrations, the two sub-systems are connected by a 1040/1086MW submarine HVDC cable across Cook Strait. Seventy-five percent of New Zealand’s electricity requirements are met from hydro plants, seven percent from geothermal and the remainder from a variety of thermal plants mainly using gas as the source of fuel (Read, 1997). The total generating capacity in the New Zealand electricity industry is around 8700MW (Contact Energy, 1998). The entire New Zealand electricity system is interconnected through a National Grid system. Nation-wide transmission is achieved through 12,000 kilometres of high voltage AC lines and 600 kilometres of high voltage DC lines (Transpower Website). The transmission lines connect power stations to the distribution lines of local power companies. Large industrial users are directly connected to the grid.

The supply and demand sides of the industry in New Zealand are separated, making the industry a complex one. The industry requires a significant amount of coordination between the various sectors to ensure that a reasonable amount of security is maintained at all times to prevent power outages. The distributors, on the demand
side, who were historically responsible for distribution and retailing are responsible for the supply of electricity from the transmission grid to the customer premises. More than ninety-nine percent of New Zealand homes receive their electricity through distributors. The distributors in New Zealand together service a total of around 1.3 million electricity consumers (Read, 1997). The retail companies who are responsible for selling electricity to the consumer are now responsible for the installation of electricity meters and revenue collection. This was historically the responsibility of distributors, but with the reforms in 1998 this sector was split off from distributors.

The Gambian electricity industry is dependent on thermal means for generation. There is one main power station that provides power for the capital Banjul and its environs. The rated generating capacity of this station is 28MW but, due to the fact that some of the generators are old, the station has been de-rated to 23MW (Nawec Website). There are six stations in the main provincial centres in the country serving the areas surrounding the centre (Cham, 1997). The capacity of these stations varies however; the capacity of the largest provincial generating station is less than 1MW (Cham, 1997). The network covering the Greater Banjul area is the largest with about fifty kilometres of high voltage transmission lines. There is no interconnection between the stations and hence no national grid system due to the distances involved and due to the fact that most of the people living in some of the villages in between provincial centres and the Greater Banjul area do not have the means to pay for electricity supply.

The Electricity Company in The Gambia is responsible for both the demand and supply sides of the industry making it a vertically integrated company. There is a
significant gap between the demand for services and the existing capacity of the system (Nawec, 1999), with demand far outstripping supply. The company is also responsible for revenue collection. However, the full amount of revenue due from customers for their consumption is not realised because of illegal tampering of meters at customers’ premises, and metering and billing errors (Nawec, 1999). Nawec estimates that about 40% of its generation is not accounted for as a result of illegal tampering and losses on the old and poorly maintained transmission and distribution lines (Nawec Website). The company has a total registered customer base of 44,000 consumers. The company also has responsibility for water production and distribution as well as sewerage disposal.

1.5 Overview of the Thesis

The thesis contains seven chapters. This chapter introduced the study and outlines the research design, the significance of the study and a brief overview of the electricity industries in New Zealand and The Gambia.

Chapter two discusses the research methodology used in the study. It describes the research design and justifies the use of the qualitative paradigm and case study methodology as the methodology of choice. The chapter looks at multi-case studies and the reason why this study employed a multi-case design. The chapter details the researcher’s biases and also outlines the data collection strategies used in the research. The methods of analysis used in the thesis are detailed and issues of internal validity, reliability and generalisability are discussed.
Chapter three examines the theories and concepts that constitute the analytical framework used to describe and explain the changes that have been undertaken in the electricity industries both in New Zealand and The Gambia. The most appropriate strand guiding the thesis is the literature on privatisation and deregulation. However, the chapter also discusses an array of competing theories drawn from many disciplines and perspectives.

Chapter four outlines and discusses the various changes that have taken place in the electricity industry in New Zealand. The manner of implementation and the problems encountered during implementation are also discussed. The chapter concludes by discussing the outcomes of the change programme in New Zealand.

Chapter five outlines and discusses the various changes undertaken in the electricity industry in The Gambia. The manner of implementation, the problems encountered and the outcomes of the changes in the various eras of change are also discussed.

Chapter six carries out a cross-case comparison of the changes in New Zealand and The Gambia. It looks at the factors influencing the transformation process in both countries and the level of government participation in the change process. The patterns of organisational change adopted by both countries are compared and contrasted.

The conclusions drawn from the two cases in chapters four and five and the cross-case analysis in chapter six are discussed in chapter seven. A model incorporating the prominent role of trust in the organisational change process has been developed and is
explained in the chapter. The chapter concludes by outlining the implications of the research for policy, managerial practice and future research.

Appendix One reviews the various pieces of legislation that have guided the reform process in both New Zealand and The Gambia. Appendix Two outlines the “aide-memoire” that guided the interviewing process.
Chapter 2

Research Methodology

2.1 Introduction

This chapter discusses the methodology used in this research. It starts out by discussing the factors governing the research design. The chapter also gives an overview of the qualitative research paradigm and the case study methodology and explains why they were chosen for the purposes of developing a better understanding of the change process. The data collection strategies and the analysis techniques used during the research process are also discussed and the chapter concludes by discussing validity and reliability issues concerning the study.

2.2 Research Design

In social science research it is recommended that research be guided by a set of research questions (Creswell, 1994; Miles and Huberman, 1994; Yin, 1994) in order to focus the researcher on the issues to be researched. Initially I found it difficult to narrow my research interest and express them in the form of a question(s) due to the fact that I was also interested in undertaking a study that would make some meaningful contribution to the development of The Gambia. However, after much contemplation, I decided to settle on researching the organisational change process as The Gambia had undertaken many change programmes in the past and most change programmes had not achieved the desired change objectives. More changes were being planned to make the economy more efficient and the planned changes included more private sector participation in the economy. It was therefore imperative to
ascertain why change programmes in The Gambia had not achieved the change objectives before embarking on further changes.

I decided to undertake a comparative study of change in New Zealand and The Gambia. New Zealand offered a unique opportunity to study change as it was at the forefront of change both within the SOE sector as well as the public sector in the OECD (Boston et. al, 1996). New Zealand had undergone changes in its economy to make it more robust and efficient and to be better able to withstand future economic shocks. Kelsey (1993), an ideological opponent of the changes in New Zealand, acknowledges that most of the changes, especially those in the SOE sector, have been successful and are now being used as models of change by the World Bank and IMF.

The electricity industry was chosen as the industry to undertake a study of the process of organisational change in both countries, as both industries had undergone changes in the last fifteen years and were still undergoing further change. The electricity industry in New Zealand had undergone significant change, which had seen it transformed from a loss making government department to profit making SOEs (Spicer et. al, 1991, 1996). The Gambia had also undertaken reform in various sectors of the Gambian economy including its electricity sector which had been transformed from a government department to an SOE, albeit a loss making one. There existed, therefore, a unique opportunity to study the organisational change process brought about through privatisation in the electricity industry in two different settings – a developed and a developing country. Such a study, it was felt, would result in a better understanding of the organisational change process.
Change in the electricity industry was not only confined to New Zealand and The Gambia, but utilities worldwide had also undergone many changes involving the utilisation of privatisation concepts over the last decade. Change in the electricity industry was largely due to the important role electricity plays in economic development. Most of the changes in the electricity industry in New Zealand and other OECD countries were well documented allowing me the opportunity to access secondary data as well as the wider literature on privatisation and deregulation of utilities.

I developed two initial research questions to guide the research process. The initial research questions were stated thus:

- What was the nature of the restructuring process in the electricity industry in New Zealand?
- How was it similar or different to the restructuring process in the electricity industry in The Gambia?

The research questions were meant to serve as a guide in the research process, as well as the selection of a suitable research paradigm and an inquiry strategy (Strauss and Corbin, 1990). Eisenhardt (1989) and Miles and Huberman (1994) suggest that in inductive research it is best if the researcher starts with a general research question that could be narrowed down as the research progresses.

Two other research questions (sub-questions) were developed later from the initial research questions (Creswell, 1994) and these were used to guide the research process, especially during the data collection phase. The sub-questions were:
• What forces have prompted reform in The Gambia and in New Zealand?
• What approaches to reform have been undertaken and why?

2.3 Research Paradigm

The fundamental objective the thesis set out to address, through the research questions, was to develop a better understanding of the change process. It was felt that the outcome of such a study would be rich due to the diverse nature of the sites being investigated. Pettigrew (1988) notes that “there is a dearth of studies which can make statements about the how and why of change, about the processual dynamics of change ... which go beyond the analysis of change and begin to theorise about changing” (p.15). The dearth of studies (Wilson, 1992; Cuervo and Villanlonga, 2000), on the ‘how’ and ‘why’ of change is due to the difficulty and complexity involved in studying the change process especially where change has already taken place or is taking place (as was experienced in both New Zealand and The Gambia).

Social science research lends itself to either a qualitative or a quantitative method, or a mixed method including both qualitative and quantitative techniques of investigation. These methods are simply denotations of different ways of conducting social investigations and the suitability of any method depends on the research questions and the nature of the investigation (Bryman, 1988). There has been an ongoing debate as to the relative merits and disadvantages of these two styles of conducting research. Filstead (1970), Cronbach, (1975), Cook and Reichardt, (1979), Lincoln and Guba, (1985), Patton (1986, 1988c), and Fetterman (1989) provide in-depth reviews of the qualitative and quantitative paradigms debate.
2.3.1 Qualitative Research

The research questions as stated above lend themselves to the use of a qualitative methodology. Qualitative techniques are appropriate in the investigation of dynamic processes, such as a change process, as they are able to capture, describe, decode and interpret the precise meanings of phenomena occurring in their normal and social contexts (Fryer, 1991).

Qualitative techniques of inquiry emerge from the phenomenological and interpretive paradigms, which emphasise a constructivist approach. It is based on the constructs that people use in order to render the world meaningful and intelligible to them (Bryman, 1988; Patton, 1990; Cassell and Symon, 1994; Merriam and Simpson, 1995; Merriam, 1998). Two defining characteristics of the qualitative research method include the focus on interpretation rather than quantification and concern with the context (Cassell and Symon, 1994), both of which are important in the study of the change process. Qualitative techniques make use of a holistic approach, which allows for the assembling of a comprehensive and complete picture of the process under investigation (Taylor and Bogdan, 1984; Patton, 1987, 1990; Miles and Huberman, 1994).

Qualitative research takes place in natural settings and has been described as naturalistic, because the researcher does not manipulate the programme or participants for the purpose of the research (Reichardt and Cook, 1979; Guba and Lincoln, 1981; Bogdan and Biklen, 1982; Patton, 1987; Denzin and Lincoln, 1994; Miles and Huberman, 1994). An open research strategy is normally adopted and this makes qualitative research particularly oriented toward exploration and discovery using
inductive techniques (Patton, 1987; Bryman, 1988). Research focused on discovery and insight from a respondent's perspective offers, according to Merriam (1988), the greatest promise of making significant contributions to any knowledge base. Although qualitative research can be deductive, most qualitative researchers adopt an inductive approach, because through inductive means the possibility exists of building abstractions, concepts, hypothesis and theories. In qualitative research it is possible for categories to emerge from informants, rather than being identified a priori by the researcher. As a result of its focus on process, meaning and understanding, the product of a qualitative study is richly descriptive (Taylor and Bogdan, 1984; Miles and Huberman, 1994; Merriam, 1998) as most qualitative researchers use verbatim quotations from respondents in order to illustrate their findings (Bryman, 1988).

Most studies of organisational change have focused on the content of change. However, Johnson (1987), in his case study of a retail menswear chain in Britain, recommends the study of the process of change in order to gain a better understanding of the dynamics of change. Qualitative methods do allow for both the content and process of change to be studied, as demonstrated by Addison (1997), who undertook a study of the introduction of new technology into the meat processing industry in New Zealand. Qualitative methods of research not only allow for the discovery of what has happened but also allow for the verification of such discovery (Patton, 1990).

The selection of two sites for the research study on organisational change through qualitative means allows unique diversities and contrasts between sites to be captured. These diversities and contrasts could bring out "differences in content, in process, in goals, in implementation, in politics, in context, in outcomes, and in programme
quality" (Patton 1987, p.28). According to Bogdan and Biklen (1982) and Merriam (1988), qualitative research is more concerned with process rather than outcomes and the diversity in the processes across sites could lead towards the development of rich theory.

Qualitative methods usually require the researcher to get close to the respondents in order to collect data. Gaining access to respondents involves a combination of strategic planning, hard work and luck (Van Maanen and Kolb, 1985). Miles (1979b) notes that the most serious and central difficulty in the use of qualitative methods is the frequent data overload. Data are usually collected over several months or years and, due to the close involvement with the subject, the data/notes could easily run into hundreds or thousands of pages. Arriving at a realistic conclusion from such voluminous data could prove daunting and overwhelming for any researcher. Pettigrew (1988) notes that in qualitative research, there is an ever-present danger of death by data asphyxiation!

Various inquiry strategies could be utilised in a qualitative study. Denzin and Lincoln (1994) define a strategy of inquiry as “a bundle of skills, assumptions and practices that researchers employ as they move from their paradigm to the empirical world” (p.14). The most commonly used inquiry strategies in the qualitative paradigm include grounded theory (Glaser and Strauss, 1967), ethnographies and case studies. A case study methodology was chosen as the inquiry strategy for this study.
2.4 Case Studies

A case study consists of a detailed investigation of a bounded phenomenon such as a process, an organisation or an individual (Merriam, 1988) with a view to providing an analysis of the context and processes involved in the phenomenon (Hartley, 1994). A case study method of inquiry was chosen for this study as it was considered suitable to gain an in-depth understanding (Merriam, 1988) of the change process, which is a contemporary phenomenon within a real-life context (Yin, 1994). The general research question is a “how” question which, according to Yin (1994), lends itself well to the use of a case study methodology. “How” questions tend to be explanatory and deal with events over a period of time. The sub-questions in the study are “what” questions which are exploratory in nature and also lend themselves well to the use of a case study methodology (Yin, 1994).

By using the case study approach, the reasons behind decisions, their implementation and their outcomes could be identified. This would contribute to the body of knowledge on organisational change through the systematic piecing together of detailed evidence leading to the development of a better understanding of the change process. A case study methodology is suitable when understanding is sought in order to improve practice (Merriam, 1988) as cases are more contextual because the experiences of the respondents are rooted in context (Stake, 1981). The use of a case study methodology also allows management processes and causal relationships to be studied (Miles and Huberman, 1994; Yin, 1994), which could be incorporated into any theory that may emerge. As well as generating theory, case studies could also be used to test theory. Eisenhardt (1989) provides examples of cases that have been used to generate as well as test theory.
In this research an instrumental case study approach has been adopted. In instrumental case studies, cases are examined to provide insight into an issue such as developing a better understanding of the change process. In instrumental cases, the cases are often looked at in depth, their contexts scrutinised and their ordinary activities detailed, in order to develop or refine theory (Stake, 1994). The two cases that form part of this study are not cases about the electricity industry, but should rather be considered as cases to illustrate the process of change through the adoption of privatisation practices. The cases play a supportive and facilitative role, which allows insight to be gained into the change process leading to a better understanding.

2.4.1 Multiple Case Design

Case studies can involve single or multiple cases and numerous levels of analysis (Yin, 1994). Miles and Huberman (1994) note that with multi-case designs it is possible to understand how the cases forming the study are affected by local conditions. This, they argue, assists in the development of sophisticated descriptions and powerful explanations of the phenomenon under study. Patton (1987) notes that a multiple case design offers a deeper understanding of processes and outcomes of cases as they capture individual differences or unique variations between sites. This study makes use of a multi-case/embedded design as two sites were selected for the study (New Zealand and The Gambia). An embedded design, according to Yin (1994), is a multi-level analysis within a single case. This study utilises an embedded design because the changes have been examined at two levels, the macro level, which corresponds to the national level, and the micro level corresponding to the organisational level. The use of an embedded design was necessitated by the need to
fully understand the change process as it has evolved in the two sites chosen for the study. The changes in New Zealand and The Gambia involved the introduction and adoption of privatisation concepts. According to Ramamurti (2000), the causes of privatisation, the manner in which it is implemented and its consequences can be more fully understood by examining it at more than one level.

The use of a multi-case study also contributes to increasing the generalisability of case studies (qualitative research generally suffers from a problem of generalising), as the evidence is often more compelling, resulting in a more robust study (Herriott and Firestone, 1983). An adequately sampled and analysed multi-case study will provide not only a sense of uniqueness of the cases, but also a study of more general relevance and interest (Bryman, 1989; Hartley, 1994).

A lot of confusion has arisen about the generalising of results in social science research. This has arisen due to the widespread use of quantitative techniques. In quantitative research, generalising of results refers to generalising from a sample to a population. However, in qualitative research, generalising of results is about generalising to theoretical propositions and not to the population under study (Hartley, 1994; Miles and Huberman, 1994; Yin, 1994). The word sampling, as used by qualitative researchers, does not refer to sampling in a statistical sense, but rather the techniques used in the selection of respondents.

A theoretical replication logic (Yin, 1994) has been used in case selection to identify the subtle similarities and differences between cases. Yin (1994) argues that the use of replication logic in the selection of cases can help in the development of a rich
theoretical framework. The case sites have been chosen because the local conditions are quite different. According to Pettigrew (1988) it makes sense to choose extreme situations because this will make the process of interest (change) transparently observable. Patton (1987) notes that case studies of unusual successes or failures may generate particularly useful information. Eisenhardt (1989) has identified several studies in which researchers have purposefully selected diverse organisations in order to build a model applicable across organisations.

There was some concern, raised by a New Zealand respondent, that the selection of cases in this study was inappropriate due to the fact that the New Zealand electricity industry was far bigger than the Gambian electricity industry. The Gambian industry was, in the opinion of the New Zealand respondent, comparable to Auckland International Airport’s electricity requirements. The use of a replication logic in case selection, and the fact that the study made use of an instrumental case study design (Stake, 1994) meant that the study was concerned with the phenomenon of change through the adoption of privatisation practices and policies rather than the study of the electricity industry. This being the case, the relative sizes of the industries were irrelevant and the selection of cases was justified. Patton (1987) notes that more can be learnt from intensively studying extreme cases.

2.5 Data Collection Strategies

Data for this study was collected over a period of eight months in New Zealand and The Gambia. In New Zealand I made use of both primary and secondary data as the New Zealand changes have been well documented. In The Gambia the data was mostly primary data that I had to collect as the changes have not been documented.
2.5.1 Access to the sites

It was necessary for the purposes of this research to obtain access to the multiple sites chosen for data collection. The Management Department of the University of Canterbury has had a long association with the electricity industry in New Zealand in the field of research, and it was felt that I could call on this good relationship to gain access to the industry for data collection. The Managing Director of the electricity industry in The Gambia and the government minister responsible for the industry, at the time of conceptualising the research project, were both personally known to me and I felt that access to the industry in The Gambia would also be forthcoming.

Crompton and Jones (1988) recommend seeking access from the top hierarchy in organisations when undertaking social science research. Letters were, therefore, written to the minister and managing director in The Gambia requesting permission to study the industry. Letters were also written to organisations in the New Zealand industry requesting permission to talk to senior managers about the reforms in the electricity sector. Letters were written to private consultants in the industry requesting interviews to talk about reforms in the electricity sector in New Zealand. All letters in New Zealand were followed up with phone-calls about a week after the letters were sent out. A total of seven organisations were contacted together with five independent consultants and the Ministry of Commerce, which was the government ministry charged with overseeing the electricity changes in New Zealand. Six organisations responded granting permission to undertake research in their organisations. Of the five private consultants contacted, two responded favourably. I also received responses from three senior government officials who were willing to be
interviewed on the changes in the electricity sector. The only response from The Gambia came from the government minister and he was enthusiastic about the proposed study involving the electricity industry in The Gambia. However, I put the lack of response from the managing director down to the changes taking place in The Gambia. Soon after my letters were sent out, there were a number of changes in senior positions including both the minister responsible for electricity and the managing director of the Electricity Company. (I was told on arrival in the Gambia however, that the non-response from the managing director was due to the fact that the administrative assistant had sent a response to the wrong fax number, even though the letters I sent out were on departmental letterheads!)

On arrival in The Gambia, I visited both the new minister and the new managing director to acquaint them of my intention to study the process of change in the electricity sector. Gambian cultural tradition demands that the senior person in any organisation be acquainted with whatever is going on in his/her organisation. I thus required the “blessing” of both the minister and the managing director in order to start interviewing potential respondents. I subsequently contacted the human resources manager and together we drew up a list of people within the organisation who could provide me with the information I required. She promised to write to the selected respondents to ensure that they allocated some time to talk to me. The letter from the human resources manager was also important because of the political situation in The Gambia. Although it was politically stable, people were still scared of the repercussions of getting on the adverse side of government with their comments, especially with a civilian government that had military connections and made extensive use of an intimidating intelligence organisation. Officials are usually tight-
lipped about issues such as change and privatisation especially in an industry as sensitive as the electricity industry. This was evident in some of the interviews I conducted with some senior government officials. They were tight-lipped and some of the responses they gave did not make any sense to me and in some cases I knew that some of what they said was untrue or that they were just not willing to divulge information because it was too sensitive. The letter from the human resource manager proved very helpful as it opened a lot of doors and ensured that respondents knew about the project and its purpose even before I contacted them.

Table 1 below gives a breakdown of the respondents used in this study. Due to the need to maintain confidentiality and anonymity, names have not been included.

<table>
<thead>
<tr>
<th></th>
<th>New Zealand</th>
<th>The Gambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEOs</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Past Senior Managers</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Consultants</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Government Officials</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>28</td>
</tr>
</tbody>
</table>

2.5.2 Selection of Respondents

The main technique used to select respondents in the study, as outlined in Table 1 above, was purposive (Bogdan and Biklen, 1982; Patton, 1987, 1990; Merriam and
Simpson, 1995). Respondents were chosen because of their capacity to contribute meaningfully to the objectives of the study. Miles and Huberman (1994) note that in qualitative research, sampling is driven by the conceptual question and not by representativeness as in quantitative research. (The word sampling as used by qualitative researchers does not refer to sampling in a statistical sense but rather the techniques used in the selection of respondents.) According to Merriam (1988) purposive sampling is undertaken when one wants to discover, understand and gain insight into a process, and the need, therefore, arises to select a sample from which one can learn the most. Creswell (1994) suggests that respondents be chosen who could best answer the research questions of the study. In order to develop a better understanding of the change process, it was felt that people involved in the change process, both past and present, should be contacted. It was also felt that information obtained from people who had been involved at a senior level, both from the industry and government, would be more appropriate in helping to develop a better understanding of change, as most of the changes under study had been driven or implemented by senior management.

The snowball sampling technique (Bogdan and Biklen, 1982; Patton, 1987) was also used in respondent selection. This technique involves asking a respondent who had already been interviewed to recommend others. They were specifically asked to recommend people who, in their opinion, could provide me with the information I was after. This proved to be effective in two ways. I was able to gather a lot of useful information from people who I had not earlier considered as part of my list of respondents and, it also enabled me to gain access to them as I could use the name of the person recommending them.
Some amount of theoretical sampling (Glaser and Strauss, 1967) was also employed in the study. Theoretical sampling is a procedure whereby researchers consciously select additional cases or respondents to be studied, or interviewed, according to the potential for developing new insights, or expanding and refining those already gained (Glaser and Strauss, 1967). Some preliminary analysis was carried out on the data collected and through this analysis, identification of missing links in the data was made. New data sources were found that were not part of the original list based on the process of theoretical sampling. Most of these new data sources were not part of the organisation, but had either worked in government or had worked for the organisation in the past.

2.5.3 Researcher Bias

In qualitative research, the researcher (in this case myself) is the main instrument for data collection and analysis (Bogdan and Biklen, 1982; Merriam, 1988; Patton, 1990). Research of an inductive nature does not require theoretical propositions to be prepared before the start of data collection (Merriam, 1988, Patton, 1990). However, it is impossible to achieve a clean theoretical slate and to enter the research field with no preconceived notions (Eisenhardt, 1989; Miles and Huberman, 1994). Wolcott (1982) suggests that it is foolish for a researcher not to make such theoretical orientations known. Merriam (1988) posits that the researcher must be aware of any researcher biases and how they may influence the investigation. Guba and Lincoln (1981) and Lofland and Lofland (1984) suggest that the methodology section in a qualitative research study should make explicit such theoretical orientations as well as private feelings. This section aims to bring these to light.
I had been involved with a state-owned enterprise in The Gambia for eight years, the last two years of which was at a middle management level. I was, therefore, quite familiar with the operations of SOEs in the Gambia. I was dissatisfied with the inefficiencies displayed by SOEs, although they were supposed to be adopting private sector practices, and I was of the opinion that much could be done to improve their performance. My being enrolled in a PhD was a result of the frustrations encountered at work and I felt the need to undertake a study that would help to correct the performance anomalies in The Gambia. I was, therefore, somewhat biased in thinking that the system, as it was in The Gambia, needed a drastic overhaul and it was with such a bias that I entered the field for data collection.

Although this research was to be inductive in nature, I went into the process believing that government involvement in the electricity industry, especially in The Gambia, was bad. There had been several changes in the top management team in the past and in the three months before data collection commenced there was a complete management change in the electricity sector in The Gambia. The changes had all been government directed with the board playing very little or no part at all in the decision making process.

I went into the research process initially with the opinion that the outcome of the research process would be “how to change”. I felt that this “how to change” recipe for The Gambia would more or less be a mirror copy of what had happened in New Zealand, with a few modifications to suit the local conditions in The Gambia. This was because over the past thirty years, since the attainment of independence, there
was the feeling that we (Gambians) were incapable of running our own affairs and it would have been better if we were not independent or if we copied Western practices. I was, however, relieved when my research findings were different, and glad that I was able to discover something that would be of interest to governments and change practitioners irrespective of whether they are from a developed or a developing country.

I was also nervous of undertaking research due to the fact that I had an engineering background and was not familiar with social science research. I also felt that I was at a disadvantage in New Zealand because I spoke with an accent and was of a different skin colour to most of the executives and, as a result, would find it difficult to be at ease with them. I thought that it would be much easier to carry out interviews in The Gambia due to my familiarity with the surroundings and having the same accent and the same skin colour as potential respondents.

To help combat the fears I had of going into the field to collect data, I had a series of interviews at the University to acquaint myself with interviewing techniques. I interviewed one of my supervisors whilst the other observed the process. Useful comments were obtained from that process on how to go about interviewing executives. One of my supervisors then proceeded to interview the other whilst I observed. These preliminary interviews provided me with the confidence to enter the field of research for data collection.

On entering the field I discovered that most of my fears were unfounded. Everything went relatively smoothly, with the exception of one interview in New Zealand, in
which the interviewee felt that he knew what was good for me and sought to convince higher authorities, including my sponsors, to have my project and focus changed.

2.5.4 Data Collection Methods

It is necessary in a qualitative research study that the study is bounded (Guba and Lincoln, 1981; Patton 1990; Miles and Huberman, 1994; Stake, 1994) and the rules for inclusion or exclusion be made known. The aim of the research process was to develop a better understanding of the change process. It was therefore felt that to achieve this, it was best that the data collection be bounded within the senior management level (purposeful sampling) in both countries.

Qualitative researchers have, at their disposal, a variety of methods for data collection (Taylor and Bogdan, 1984; Merriam, 1988; Bryman, 1989). The methods mostly used, which are not mutually exclusive, include participant observation, interviewing and document analysis (Patton, 1987). I decided that my main source of data collection would be through interviews, for three reasons. The first was that I was interested in historical as well as current data in order to understand the changes that had taken place, and were still taking place, in the industry. It was therefore necessary to talk to people who had been, or are, participants in order to gain that understanding. The second reason was that the changes in The Gambia had not been well documented, and I needed to talk to those involved in order to piece together the story of change. Interviews allow more flexibility than observation and document analysis (Creswell, 1994). Third, I was constrained by time. My scholarship was to run for an initial period of thirty months and, after spending six months defining the study, it would have been impossible to acquire the data required for the study from
document review or participant observation alone in the time frame I had. Taylor and Bogdan (1984), note that interviewing is selected when one wants to study “a relatively large number of people in a relatively short period of time” in order to obtain “a broad picture of a range of settings, situations or people” (p.79).

The three methods of data collection, interviewing, participant observation and the analysis of documents were all used at one stage or the other to collect data for this study. There has been extensive documentation of the changes in New Zealand and I was able to review most of the studies on change in the electricity sector in New Zealand. I was also able to review board papers in The Gambia for the last five years, although other documentation was not forthcoming from the authorities despite repeated attempts and requests for them. Participant observation took place before interviews, during interviews and after interviews, and I was able to note what was going on in the surroundings, as well as the body language and facial expressions of respondents. I sometimes had to wait for up to three hours in either the reception or a waiting room in The Gambia (in one case I had to wait a working day and a half, and in another, the interview had to be stopped halfway through and continued the next day) before an interview, even though I had a confirmed appointment. During these periods I made sure I took notes and observed what was going on around me. I also observed and made notes during an interview of the number of time the respondent and I were interrupted. I was able to listen to the conversations between the interviewee and staff members when a staff member coming into the office interrupted the interviews. I was also able to listen to phone conversations, although only one side of the conversation was being heard. From these observations I was able to piece together a picture of what went on in the organisation. These
observations helped me to reach a conclusion that there was a general trend of disorderliness in the electricity sector in The Gambia, and this I felt contributed to the poor performance of the sector.

The use of multiple methods of data collection is called triangulation (Patton, 1987; Miles and Huberman, 1994). Triangulation is a way of getting to the finding by seeing or hearing multiple instances from different sources, by using different methods (Miles and Huberman, 1994) or by clarifying meaning and verifying the repeatability of an observation or interpretation (Stake, 1994). Triangulation helps to build checks and balances into the data and enhances validity (Patton, 1987). It also adds rigour, breadth and depth to the research process (Flick, 1992). Yin (1994) notes that multiple sources of evidence (triangulation) allow for the addressing of a broader range of historical, attitudinal and behavioural issues. It also, according to Yin (1994), leads to the development of converging lines of inquiry rendering any conclusion more convincing and accurate.

2.5.5 Interviews

Semi-structured interviews were used in the study, as an exploratory stance was adopted. This style of interview is suitable in cases where the researcher knows a little about the phenomenon to be explored (Merriam, 1988). The interview schedule (Appendix Two) was guided by a set of questions that served as an “aide-memoire” to remind me of the topics I wanted to cover (Bryman, 1989; King, 1994). The questions dealt with specifics rather than abstractions and generalisations (Kvale, 1983). The goal of the interviews was to see the research topic from the perspective of the respondents. Respondents were asked about the facts of the matter, as well as
their opinion (Yin, 1994), and they were allowed to speak in depth on the issues. I interrupted from time to time to further probe into the matter, or to offer encouragement as the respondents spoke (Spradley, 1979).

At the start of each interview, the purpose of the interview was again made known to the respondent. In The Gambia, I sometimes had to meet respondents a few days before to explain to them the purpose of my research and arrange a time for an interview. I made use of the snowball sampling technique to talk to those who were not in the employ of the electricity industry. I also used my connections of family and friends to help make contact with such people and gain access to interview them. All respondents were assured of confidentiality (Spradley, 1979; Bogdan and Biklen, 1982) and I have tried to disguise this in the case studies, especially in The Gambia where everybody claims to know everybody. Some of the quotes used have been changed to the third person rather than the first person to maintain anonymity.

A total of fifty-one interviews were conducted. Most of the interviews lasted for an hour. Twenty-three interviews were on the electricity industry in New Zealand and twenty-eight were related to the industry in The Gambia as shown in Table 1 on page 25. Some of the data collection for the Gambian study took place in Britain because some prominent participants in the reform process in The Gambia had sought exile in Britain after the military coup of 1994. One of the interviews in New Zealand was a group interview (Fontana and Frey, 1994) in which three people were interviewed together. This was the most problematic of all the interviews I conducted as it was sometimes difficult to control because some of respondents wanted to speak at the same time as the others. As well as this, the interview sometimes went off track, as
respondents' answers might take off from another respondent's answer and this was sometimes unrelated to the issue being discussed. The group format also made it difficult to research sensitive topics (Fontana and Frey, 1994), such as those dealing with particular members of the group and how the others felt about them.

The interviews were conducted in English, although three interviews in The Gambia were conducted in the local language. Boas (1943) notes that the purpose of an interview is to understand the thoughts of the respondents, and the whole analysis of experience must be based upon their concepts and not that of the researcher's. It was thus essential that the interviewees were put at ease and I therefore conducted the interview in the language of their choice. Spradley (1979) notes that language is a means of communication and a tool for constructing reality. This encouraged me to continue the interview in the local language even though I knew that some of the respondents were much more fluent in English than I.

Most of the interviewees were only contacted once. However, in The Gambia I was able to do some follow-up interviews as I interacted with some of the respondents socially. I used such social gatherings to pursue data collection by asking some respondents casually about certain aspects of reform and whatever was mentioned was considered as data for the study. Some of the data collected was through social group discussion and these discussions were valuable sources of rich data. There was no note taking during these discussions and I relied on my memory to be able to recollect what transpired at the gatherings. I made sure that as soon as I got home I wrote down most of what I could recollect from the discussions and appended them to my journal.
Each interviewee (in the formal interviews) was asked whether he would be comfortable with the interview being tape-recorded (Spradley, 1979; Bogdan and Biklen, 1982; King 1994). Only three respondents, all of them in The Gambia, refused tape recordings. I therefore took memory-jogging notes (King, 1994) during the interviews and these were later expanded upon. Two respondents who allowed tape recordings were concerned that the contents of the discussion were only for my ears and should not be made available to the media. During all of the interviews, I took notes and these, together with the observations I made whilst waiting for the interviews and during the interviews, were recorded in a journal and formed part of the data that was analysed (Spradley, 1979).

The data from New Zealand was gathered in three rounds of data collection. Some preliminary analysis was carried out in between data collection rounds after transcribing the interviews. This preliminary analysis was important as it guided me in selecting respondents for the next round of interviews (theoretical sampling). In The Gambia, I did not have the luxury of time to enable me to carry out preliminary analysis and had to make do with one round of data collection.

The number of interviews conducted (fifty-one) was arrived at when I felt that theoretical saturation (Glaser and Strauss, 1967) had been achieved. Theoretical saturation (Glaser and Strauss, 1967) is the point at which incremental learning is minimal with additional interviews, and when phenomena that are being observed and accounts of interviewees had been seen or recorded before. Theoretical saturation
was reached before the fifty-first interview, however a few more interviews were conducted after this point to ensure that I had actually reached the point of saturation.

2.6 Data Management

In qualitative research, it is best for data collection to go hand in hand with data management and data analysis (Merriam, 1988; Miles and Huberman, 1994). Data management involves the systematic and coherent process of data collection, storage and retrieval (Miles and Huberman, 1994). Some data analysis took place during the collection stage, although the major analytical work was undertaken later. In New Zealand, there was sufficient time between data rounds to do analysis, and the principle of theoretical sampling guided the next round of data collection, which assisted in filling the gaps in the data. In The Gambia, due to time constraints, no formal analysis took place. However, I tried to remember things from past interviews and jotted a few notes down on things I needed to follow up in subsequent interviews.

Most of the research data was tape-recorded, and the tapes were later transcribed using a word processor. Copies of the transcribed data were made and stored in several different places including my computer hard drive, floppy disks, filing cabinet and two different departmental servers. No one, other than me, had access to the data. Most of the interviews were an hour long and, on average, an hour’s interview was equivalent to about fifteen pages of words of one and a half line spacing. Verbatim transcriptions were made for all but two of the interviews, where the interviewees went off the topic and I saw no need to continue with verbatim transcriptions. All of the tapes used for the interviews were kept in the filing cabinet in my office and were never reused. My journal that detailed the observations I made during fieldwork was
written up separately. However, those that dealt with particular interviews were added as addenda to the particular interview transcript they were linked to. Field notes, according to Eisenhardt (1989), serve as a running commentary to the researcher, and become a means of accomplishing the overlap of analysis and data collection. Van Maanen (1988) describes field notes as an ongoing stream of consciousness commentary involving both observation and analysis.

2.7 Data Analysis

Data analysis progressed simultaneously with data collection and management, although the major portion of analysis took place at the end of data collection. Eisenhardt (1989) notes that analysis is at the heart of theory building, but “it is both the most difficult and the least codified part of the process” (p.539). Yin (1994) and Miles and Huberman (1994) both acknowledged the difficulty entailed in analysing qualitative studies. The difficulty, according to Miles (1979b), is due to the fact that methods of analysis are not very well formulated. I consulted several texts on analysing qualitative data, but none seem to give a clear-cut and easily understandable procedure. I opted in the end to use various methods of analysis as suggested by Bryman and Burgess (1994) and Yin (1994). These authors suggest that analysis is a dynamic process that links together problems, theories and methods.

I started out by doing the analysis manually by looking for themes (Taylor and Bogdan, 1984; Miles and Huberman, 1994; Rubin and Rubin, 1995) that described what was actually going on, from what respondents had narrated. According to Rubin and Rubin (1995), related themes help to build towards a theory. Recurring patterns and themes were noted on the margin of the transcribed interviews and field notes. I
used this system of identifying patterns and themes in analysing data for the first two interviews. It took about eight hours to go through an hour’s interview, and the process was tedious and nerve-racking. I was, however, not satisfied with this method because everything had to be done by hand and written on the limited space available. This system also resulted in my having an increased amount of paper work, with paper strewn all over my desk. I therefore decided to try using computer techniques to aid in data analysis.

I used NUD*IST (Non-numerical Unstructured Data Indexing, Searching and Theorising) computer software programme to assist in data analysis. This programme was chosen for several reasons. Primarily, it is widely regarded as the best package (Weitzman and Miles, 1995). Secondly, one of my supervisors was very familiar with it and I knew that if I encountered problems with the programme, I could count on his assistance. Thirdly, it was the only computer programme available in the department for qualitative data analysis and there was a lack of research funds to purchase other qualitative analysis packages. The transcribed interviews were put into text unit form and imported into Nudist. A text unit is delimited by a hard carriage return, and it could be a word, a line, a phrase or a paragraph. The data reduction (Miles and Huberman, 1994) which took place in putting the data into text unit form involved analysis, because the data was reduced to themes ready for importation into Nudist.

2.7.1 Coding

Nudist was used as a store-and-retrieve package, and it helped me to think more deeply about the meaning of the data and apply codes to meaningful chunks of data. Codes are tags or labels for assigning units of meaning to the data (Miles and
Huberman, 1994). Codes bring together similar ideas, concepts or themes. The use of Nudist helped to reduce analysis time and made procedures more systematic and explicit (Tesch, 1989). I started out using free nodes (in Nudist the codes are referred to as nodes, and the word node and code are interchangeable) in which all codes were stand-alone codes. I quickly moved to an indexing system as I thought this to be more efficient than the stand-alone nodes. In an indexing system the codes were nested within one another in a hierarchically organised index system (Richards and Richards, 1994; Weitzman and Miles, 1995). This hierarchically organised index system forced me to think about the relationships among the codes. No predetermined scheme of coding was developed prior to the start of coding, although when putting the data into text units, I did realise some important themes. The coding was allowed to evolve as I went through the text units in Nudist. After coding a few interviews, I went back and compared what was already coded with the data as well as comparing the codes with some of the theory that was already being formed in my head. This was similar to the constant comparative method of Glaser and Strauss (1967) and I tried to combine some of the codes into higher conceptual levels of coding. This method was used throughout the entire coding process and I re-coded the data after about every ten interviews (cumulatively). I was thus moving backwards and forwards between concrete pieces of data and codes and between description and interpretation (Merriam, 1998). By so doing I was able to rationalise the nodes and reduce them to a more manageable number (at one point during coding I had almost 400 nodes, but at the end of the process I was left with 279 nodes). The last interviews coded were the easiest as almost all incidents had been classified and it was just a matter of coding data to existing categories.
The Gambian and New Zealand data were coded separately. During the research design phase, the decision was taken to approach the study of change from two levels of analysis, the industry and the organisational levels. Patton (1990) believes that the issue that determines the unit of analysis for a study, depends on “what it is you want to be able to say something about at the end of the study” (p.100). I decided that I wanted to say something about the change process from a holistic perspective, hence the need for the two levels of analysis. In New Zealand there were two branches corresponding to the two levels of analysis, the industry level and the organisational level, since these two were different. In The Gambia, there was only one branch (one level of coding) because the industry and organisation are one and the same. Fig 1 overleaf shows a screen from Nudist outlining the indexing system and tree structure of the coding carried out in Nudist. Appendix Three contains the data that was coded under the theme selection for the Gambian case. All issues that dealt with selection were put under this category.

In qualitative studies, there is some confusion about the use of computers in data analysis. Computers, according to Weitzman and Miles (1995), do not analyse data but it is rather the people behind the computers who analyse the data. Most of the analysis in this study was carried out manually by using themes and developing categories. The computer programme Nudist, however, enabled me to do this with ease, and helped me to manage the data (Richards and Richards, 1994). Without Nudist, I could have easily miscoded, mislabelled, mislinked and mislaid the data (Wolfe, 1992).
2.7.2 Memos

A memo is a theorising write-up of ideas about codes and their relationships as they strike the analyst during coding (Glaser, 1978). I used the memo capability built into Nudist to write memos as coding progressed. This proved very useful, as I was able to put down my initial thoughts as coding progressed. These memos later enabled me to move from the empirical data to a conceptual level (Bryman and Burgess, 1994; Miles and Huberman, 1994). Each memo was dated and attached to the node it referred to. When nodes were moved or merged with others, during the process of rationalisation, Nudist automatically created a memo at the new node or merged the old memo with the existing memo at the new node. I was thus able to keep track of
node mergers and movements, and the dates at which they took place during analysis. This all helped to trace the data and my findings as they emerged.

Each case was analysed and written up separately and these appear in Chapters four and five of the thesis. These write-ups were pure descriptions of the changes and how they were carried out in the two sites. These write-ups build up an explanation about the cases (Yin, 1994). Yin notes that tracing changes over time is a major strength of case studies. Eisenhardt (1989) notes that “the overall idea is to become intimately familiar with each case as a stand-alone entity” (p.540). These individual cases were central to the generation of insight and the discovery of patterns (Gersick, 1988; Pettigrew, 1988) which were expanded upon in the cross case comparison to deepen understanding and explanation (Glaser and Strauss, 1967). Chapter six contains the cross case analysis, where data sources and patterns in one case were corroborated by the evidence and patterns in the other case. According to Eisenhardt (1989) such cross case comparisons lead to strong theory. It was through the “intimate familiarity” with the individual cases that the core concept of this thesis, trust, was arrived at. It involved theorising at a level higher than what was done previously using Nudist. It also involved comparing the cases and moving back and forth between the data and the emerging theory. The late emergence of the core category, according to Chenitz and Swanson (1986), is quite normal as in inductive research the central core category (trust) forms the pivot or main theme around which all other categories revolve. Some of the extant literature reviewed in chapter three was used to tie together the evidence from the cases. Eisenhardt (1989) believes that tying the literature with the evidence leads to a theory with strong internal validity, wider generalisability and a high conceptual level.
2.8 Evaluating the study

Lincoln and Guba (1985) note that every research process, no matter what paradigm is used, must be able to answer questions regarding its truthfulness, reliability and generalisability. Qualitative research involves trying to piece together reality from the perspective of respondents. A general criticism of this paradigm, especially from quantitative researchers, is that qualitative methods are lacking in rigour and reliability, and they do not address the issues of generalisability which can be so effectively tackled by quantitative methods (Hartley, 1994).

2.8.1 Internal Validity

The degree to which the findings correctly map the phenomenon under study represents the internal validity of the study (Denzin and Lincoln, 1994). The triangulation of data collection methods helps to enhance the validity of a study as multiple instances are recorded through different sources by different methods (Guba and Lincoln, 1981; Miles and Huberman, 1994). Triangulation serves to clarify meaning by identifying different ways the phenomenon is being seen (Flick, 1992). Denzin (1989a, 1989b), however, posits that triangulation is not a tool or strategy of validation, but an alternative to validation. This study employed triangulation techniques in data collection.

One way of establishing a study’s internal validity is through the data collection mechanism. The large number of respondents from diverse backgrounds and organisations helped to establish the study’s internal validity. Most of the questions were asked to several respondents and there was a high degree of corroboration in the
data in answer to those questions. A method that could be used for enhancing internal validity in a study is to test the credibility of the data (Guba and Lincoln, 1981). One method adopted in this study to test the credibility of the data was to send the full transcripts of the interviews to respondents in New Zealand (Merriam, 1988; Miles and Huberman, 1994). In this way they could verify whether the data as recorded was a true account of the interview. Most of the respondents replied that the transcripts were indeed a true reflection of the interview. Some respondents went further to enlarge on certain issues, and clarify others, and made suggestions on some relevant literature. This process was not carried out in The Gambia, mainly because of the difficulties experienced in getting the people to sit down and have an interview. It was my opinion that there was a significant time management problem and executives would not have had the time to read the transcript and provide me with feedback. I had also made extensive use of technology through email facilities to get feedback and test the credibility of the data in New Zealand. Although the technology was readily available in The Gambia, most of the people I interviewed did not have access to email facilities and sending the transcripts by ordinary mail would have been too expensive as well as taken too long. This would ultimately have delayed the progress of the research.

Another method used to check the internal validity of the study was through peer examination (Merriam, 1988). I share an office with another PhD student who is also researching the area of organisational change in the electricity industry. Findings, as they emerged, were discussed with him for comments on validity. Merriam (1988) also notes that clarifying researcher biases at the outset of the study enhances the internal validity of the study. Yin (1994), however, believes that internal validity is a
concern only for causal (explanatory) case studies and the making of inferences when every event cannot be directly observed.

2.8.2 Reliability

The issue of reliability, especially when dealing with social science research, could be problematic since human behaviour is never static (Merriam and Simpson, 1995). The reliability of a qualitative study refers to the extent in which the findings of the study could be replicated (Merriam, 1988). This study involved a diverse selection of respondents who were within and without the organisations studied, giving it breadth and depth. This, according to Miles and Huberman (1994), plays an important part in establishing a study's reliability. The interview questions were quite clear and wherever possible further clarification was made to the respondents during the interviews. All the information used and collected (questions, notes, tapes, and database) has been kept, ensuring that there is a chain of evidence (Guba and Lincoln, 1981; Yin, 1994), which enhances the reliability of the study.

Reliability and validity, according to Guba and Lincoln (1981), are inextricably linked in the conduct of social science research. Guba and Lincoln (1981) make a case for side-stepping reliability in favour of internal validity, “since it is impossible to have internal validity without reliability, a demonstration of internal validity amounts to a simultaneous demonstration of reliability” (p.120). Lincoln and Guba (1985) suggest that dependability and consistency could be substituted for reliability, because rather than replication, one wishes outsiders to concur that given the data collected the results make sense, i.e. they are consistent and dependable.
2.8.3 Generalisability

Thick descriptions of the cases, the findings and conclusions are necessary in order to allow readers to determine for themselves whether the results of this study are applicable to them (Guba and Lincoln, 1981; Merriam, 1988; Merriam and Simpson 1995). This is because the readers are the best judges of applicability. Chapters four, five, six and seven contain thick descriptions to enable readers to make a decision on applicability. The use of multi-case studies, as already discussed, increases generalisability (or external validity). Multiple cases allow the researcher to look at multiple actors in multiple settings thus enhancing generalisability. I have had several discussions with postgraduate students from developed and developing countries about the findings of my research. These discussions suggest that the findings of this study are applicable to other settings other than those that formed part of this study.

2.9 Conclusion

In this chapter the research questions guiding the research design were outlined. It was identified that the best way to answer the research questions was to employ a qualitative methodology, as qualitative methods are appropriate in the investigation of dynamic processes such as a change process. A multi-case study was employed as multiple cases increase the generalisability of a study. Data was collected mainly through interviews, and analysis was carried out with the help of Nudist, which is a software programme for qualitative data analysis.
Chapter 3

Literature Review

3.1 Introduction

Both the New Zealand and Gambian electricity industries have undergone transformational change in the last fifteen years. The electricity industries in both countries prior to the changes were being run as government departments within the Ministry of Works. The changes in both countries have been carried out in distinct stages, with each stage involving complex change steps and processes.

The changes in the electricity industry in New Zealand and The Gambia are part of a world-wide trend towards privatisation and deregulation of the industry. In New Zealand the first step in the change process was corporatisation, which saw the electricity department transformed from a government department to a corporate entity utilising private sector concepts of operation. Corporatisation was the route used to introduce commercial concepts into the industry. Corporatisation was initially confined to the supply side of the industry but was later adopted in the demand side of the industry as well. The next major change in the New Zealand electricity industry was the introduction of competition into the industry. The changes carried out had a large economic component to them and the introduction of competition and the deregulation of the industry was part of achieving overall economic efficiency in the economy in general and the industry in particular. The generation sector was split into competing generators. The distribution sector was also split into the lines sector and retailing sectors to increase competition. The final step in the change process in
the New Zealand electricity industry was the transfer of property rights from the state to private hands. Electricity industry assets previous to the change were vested in national and local government. However, it was perceived that greater efficiencies could be obtained by reallocating the property rights to the private sector. A state generator has so far been sold and some of the lines businesses and retail businesses have also been sold to private companies.

In The Gambia, electricity is generated through thermal means with the industry mainly confined to the capital and surrounding towns. The electricity industry in The Gambia is a vertically integrated industry with one company responsible for generation, transmission, distribution and retailing of electricity. The initial change in the industry was through corporatisation where the industry was expected to operate commercially. The next major change involved contracting out some of the operations of the industry to private operators who were responsible for providing the managerial input whilst the assets were still vested in the State. The third change carried out in The Gambia involved a private operator and the government entering into a joint venture and setting up a company to generate electricity to sell to the main electricity provider in the country. Further changes are planned for the electricity industry in The Gambia. The main changes planned are the further introduction of private sector participation in the electricity industry and the possible reallocation of property rights to the private sector.

This chapter seeks to embed the changes described above in the appropriate strands of literature informing change. It examines the theories and concepts which constitute the analytical framework used to describe and explain the changes that have been
undertaken in the electricity industries in New Zealand and The Gambia. In most countries across the world, the electricity generation and distribution industry is undergoing rapid change. These range from policy changes relating to regulation and reorganisation, to privatisation and competition. There is a thriving literature that provides often contrasting perspectives on the issues relating to organisational, ownership and regulatory structures in the electricity industry (Joskow and Schmalensee, 1983; Einhorn, 1994; Culy, Read and Wright, 1996; Gilbert and Kahn, 1996; Mez and Midttun, 1997; Mez, Midttun and Thomas, 1997; Read, 1997; Czamanski, 1999; Patterson, 1999). This literature has mainly examined the issues from the perspectives of public policy and economics. The changes that have taken place in both New Zealand and The Gambia consisted of changes involving public policy and economics and resulted in the state playing an increasingly diminishing role in the commercial activities of government. However, the literature on deregulation and privatisation is insufficient in scope to explain the changes that have taken place in both countries, hence the need to also look at other theories and concepts that are relevant for each stage of the change process. Understanding the process of organisational change in the electricity industry thus requires the appreciation of an array of competing theories drawn from many disciplines and perspectives.

Change can be studied at various levels such as the institutional, the organisational, the group or the individual levels. The changes that were carried out in New Zealand and The Gambia have been examined at two levels – the national and the organisational levels. At the national level the changes were of an institutional nature and reflect the process of privatisation, where the state either partially or totally
relinquished control of its assets and of management. However, these changes at the institutional level needed to be translated to the level of operation, which is the organisational level. It is at this level (the organisational level) that the majority of the changes were implemented with the objective of achieving the desired performance outcomes. The changes at the two levels in a privatisation programme must therefore be in tandem with each other because the changes at the national level sets the scene, or makes the environment conducive, for change to take place at the organisational level. The changes carried out at the organisational level in both countries were radical and discontinuous because they involved unpredictable departures from past practices (Van de Ven and Poole, 1995) which had, hitherto, been quite predictable and were in conformity with normal civil service type operations. These changes brought about the introduction of commercial concepts into what was previously a government department established for the public good.

3.2 Privatisation

In present day society, privatisation has become synonymous with the sale of state assets and the transfer of ownership to the private sector (Starr, 1990; Alkhafaji, 1993). Johnson, Smith and Codling (2000) view privatisation as a process of institutional change. Ferguson (1992), however, notes that there is no universally accepted definition of privatisation and the only thing one can say with certainty is that it involves the reduction of state influence in the operations of firms, and transfers some or all of the ownership and/or control to the private sector (Zahra et. al., 2000). Ramamurti (2000) notes that privatisation is a complex phenomenon because it covers a variety of organisational transformations that range from economic liberalisation, deregulation to outright sale of assets.
The literature on privatisation (Hanke, 1987; Vernon, 1988; Vickers and Yarrow, 1988; Starr, 1990; Alkhafaji, 1993; Frydman and Rapaczynski, 1994; Ramamurti, 1999, 2000) reveals that the concept of privatisation is derived from the theory of property rights, which has its origins in neo-classical economics (Demsetz, 1967; Furubotn and Pejovic, 1972). Property rights define who has claims on the profits of firms (Fligstein, 1996). Depending on the manner in which the rights associated with any asset have been specified, these rights can improve incentives and enable more effective use and allocation of scarce resources (Demsetz, 1967; Furubotn and Pejovic, 1972; De Alessi, 1980; Jones, 1983; Barney and Ouchi, 1986). Privatisation is thus the establishment of a private system of enterprise control that provides an appropriate structure of incentives for the economic actors functioning within that particular institutional setting (Frydman and Rapaczynski, 1994).

Privatisation, in most cases, is considered as a purely economic activity due to the fact that the research on privatisation has, to a large extent, been dominated by economists (Vernon, 1988; Vickers and Yarrow, 1988; Frydman and Rapaczynski, 1994). However, in order to fully understand the process of organisational change, especially the changes that have taken place in both New Zealand and The Gambia, privatisation must not only be considered as an economic activity, it must also be considered as a political process (Ramanadham, 1993; Frydman and Rapaczynski, 1994; Fligstein, 1996; Kogut, 1996; Ramamurti, 2000), as an institutional myth (Rottenburg, 1996) and as a determinant of organisational change (Ramanadham, 1993). This chapter will review privatisation in terms of these perspectives.
3.2.1 Privatisation as an Economic Activity

Privatisation as an economic activity could be brought about, according to Ramanadham (1993), by any of three options – ownership changes, organisational changes and operational changes as shown in Figure 2 below. The different options used in privatisation programmes according to Filatotchev et. al (1999a, 1999b) reflect variations in political ideology, stage of development, national cultures and long-term development plans.

In Western countries privatisation has consisted mainly of ownership changes and involved the selling of state assets in a market environment dominated by private property (Pirie, 1988; Vickers and Yarrow, 1988). Privatisation that involves ownership changes is usually carried out to provide revenues for the state budget and to retire debt (Bollard and Buckle, 1987; Deane, 1989; Ramanadham, 1993). There exists a wide range of options and methods that vary in complexity and sophistication that could be used to bring about privatisation (Pirie, 1988; World Bank, 1988; Cook and Kirkpatrick, 1995; Filatotchev et. al, 1999a, 1999b). The options used to bring about ownership changes in the New Zealand and the Gambian privatisation
programmes involved some amount of direct sales, public share offerings, joint ventures and the free distribution of shares. The methods chosen in any particular case are usually dependent on the prevailing economic conditions and the economic outcomes desired of the privatisation programme.

The direct sales option involves selling either the entire assets or part of the assets to a cornerstone shareholder. Private sale of shares offer easier disposal if a buyer could be found (Clarke, 1994). In New Zealand, most of the demand side companies, as a consequence of the Electricity Industry Reform Act 1998, were sold using this option of privatisation. The only state generator sold thus far in New Zealand involved some amount of direct sales as forty percent of the assets were sold off to a cornerstone shareholder.

In most developing economies, direct sales normally involve foreign buyers because of the lack of sufficient domestic capital to make the sale of government assets a realistic possibility (Frydman and Rapaczynski, 1994). State-owned firms in most LDCs, particularly in Africa and Eastern Europe, badly need new infusions of capital and expertise. Foreign direct investment contributes to the generation of new knowledge partly through the infusion of new capital and new technology and partly through the introduction of new methods of operations (Kogut, 1996).

Foreign investment may create some concern, especially in countries that are nationalistic. In such countries opposition builds up from politicians and interest groups who believe that their sovereignty is being eroded through foreign dominance of what was previously state-owned enterprises (Dinavo, 1995; Rutland, 1997).
experiences with MSG in The Gambia was a case in point and because of this there is some apprehension towards future privatisation programmes that involve foreign investment. In New Zealand, political parties such as the Alliance and New Zealand First are opposed to the sale of strategic assets to foreigners. In the past these parties have campaigned using the no-sale policy of strategic assets as an election strategy.

Privatisation through public share offerings is a method that, like direct sales, is also more predominant in Western economies where there already exist capital markets for the trading of shares. The public offering of shares may take place where the enterprise is a going concern and also where the enterprise is an attractive investment for interested parties. Public share offerings could involve either putting up the whole equity of the enterprise or a proportion of the equity for sale. This was the method adopted for the sale of Contact Energy in New Zealand where sixty percent of the assets were sold through a public share offering and forty percent to a cornerstone shareholder. Public share offerings, according to Vickers and Yarrow (1988), are the ideal way to achieve a wide spread of ownership. According to an OECD (1997) report, public share offerings are more transparent and more politically acceptable than the other methods of privatisation that involve the sale of assets. Widespread share ownership builds up public interest in the privatised entities activities, and if the shares rise in value after privatisation, public support for privatisation is maintained (Pirie, 1988). The evidence from the privatisation programmes undertaken in Britain and Eastern Europe shows that whenever shares are publicly offered the controlling shares end up in the hands of the rich. This has been attributed mainly to the fact that the majority of the population who are eligible to buy shares do not possess the means to buy enough shares to allow them to have a say as to how the company is run.
Public share offerings help to create an economic class of elites, which in some cases defeats the whole purpose of the offering of shares (Rutland, 1997). No public offering of shares has taken place in the electricity industry in The Gambia. The only public share offering undertaken in the Gambian economy ended in failure as the company that was privatised went bankrupt after a few years and shareholders lost their investments.

Privatisation through share offerings are normally plagued with valuation problems, as the value of the company must be expressed in monetary terms (Frydman & Rapaczynski, 1994). In SOEs different individuals and organisations have different subjective assessments of the company's value, and this subjective element cannot be separated from the valuation process. In New Zealand the sale of other government assets in the economy encountered a lot of valuation problems and in most cases this led to the delay of the privatisation programme announced by the government (Spicer, et. al. 1991, 1996; Duncan and Bollard, 1992). Vickers and Yarrow (1988) and Pirie (1988) detail the problems encountered with valuation in the British privatisation programme in the eighties. In most cases the price of shares rose steeply above the initial asking price indicating that the companies were sold too cheaply.

Another option that involves ownership changes through privatisation is through the use of joint ventures. A joint venture occurs when two or more legal entities collaborate in an enterprise and share the risks and benefits of the collaboration (World Bank, 1995). The joint venture defines the rights and priority of acquisition among the parties. A joint venture with foreign partners ensures that control of the organisation is not ceded to foreigners (Mcdermott, 1997) and minimises the fears
associated with foreign dominance of local economies, as a local component is guaranteed through the agreement establishing the venture. A joint venture serves to legitimise the foreigners’ role in the privatisation programme (Frydman and Rapaczynski, 1994). It serves as a vehicle to transfer knowledge as well as to secure international linkages. The literature on privatisation suggests that joint ventures are especially useful in countries that are new in establishing market reforms such as the countries in Eastern Europe. It encourages managerial learning through the transfer of skills and technology (Frydman and Rapaczynski, 1994; Grabher and Stark 1997).

Privatisation that involves ownership changes could also be brought about through the free distribution of shares. This is a method that has been more widely used in the Eastern European privatisation programmes (Clarke, 1994; Frydman and Rapaczynski, 1994; Cook and Kirkpatrick, 1995) than elsewhere. In this system the government reallocates the assets to the citizens or the local community. This system of privatisation was used in the New Zealand electricity distribution sector where the shares of local electricity companies, after privatisation, were held for the local community in a trust. This method of privatisation offers the promise of an equitable distribution among the beneficiaries (unlike the public offerings of shares) and is a means of attracting political support to the privatisation process (Clarke, 1994). The free offering of shares reduces the problems associated with valuation of the assets and it also eliminates the problems related to the shortage of domestic capital and the reluctance of foreign investors to make a foreign direct investment (Frydman and Rapaczynski, 1994; Megyery and Sader, 1996). Although the free distribution of shares results in an equitable distribution of shares, in the absence of rules it is possible for beneficiaries to sell their shares to other parties interested in the
privatised organisation, which may ultimately lead to the creation of a class of elitist shareholders.

Privatisation involving ownership changes could be contentious due to its political ramifications. It is possible for privatisation to be achieved through organisational changes that do not involve a change of ownership (Ramanadham, 1993). Non-ownership changes are usually carried out when there is a need for improvement in economic efficiency without resorting to ownership sales. Frydman and Rapaczynski (1994) note that in non-ownership changes the reasons for carrying out privatisation is to revive the economies by depoliticising most economic decisions through the separation of the dominant enterprise sector from the state. One of the evils of politicisation of the economy is inefficiency resulting from the rent-seeking behaviour of politicians. Niskanen (1971) and Buchanan (1972) note that politicians impose objectives that help them to win elections but these might conflict with the efficiency objectives of firms. Privatisation through non-divestiture mechanisms is carried out to create new institutional structures that would facilitate the rapid revitalisation of these economies (Frydman and Rapaczynski, 1994) and to extricate these organisations from political interference. In both the New Zealand and the Gambian electricity industries, corporatisation was used to bring about privatisation without divesting the state of its assets.

Corporatisation is a non-divestiture technique of privatisation that consists of the transformation of state enterprises to a separate entity with corporate personality (Daintith, 1994). The assets and shares of the corporatised entity still remain with the state (Frydman and Rapaczynski, 1994). The aim of corporatisation is to secure legal
and organisational independence for the organisation and to promote accountability and efficiency through the avoidance of constraints associated with public authority status (Daintith, 1994). This is normally achieved by the adoption of private sector practices in the state sector (Duncan and Bollard, 1992). The transformations of the New Zealand Electricity Department to ECNZ in 1987 and the Electricity Department in The Gambia to GUC in 1972 were carried out using the corporatisation option of privatisation. The transformation from a state department to corporatisation, according to Daintith (1994), is usually difficult because it represents a discontinuity in the legal existence of the organisation and a departure from past practices which, over time, have become entrenched in the organisation.

A management contract is another form of non-divestiture technique of privatisation that could be utilised to bring about improvements in economic performance. This type of privatisation transfers operating rights to the private operator, but it does not involve the transfer of any financial risk should the enterprise fail to make a profit (World Bank, 1988; 1995). The objective of the privatisation of management is to enhance efficiency of the organisation by improving the management through the introduction of private sector disciplines and management techniques. Management contracts also permit the importation of foreign expertise without the political and other risks associated with outright sales (Frydman and Rapaczynski, 1994). The advantage of management contracts is that ownership is retained, a defined degree of control is maintained and a high level of management and other skills is injected into the enterprise enhancing its overall efficiency and profitability (Vuylsteke, 1988). In The Gambia a management contract was the mode of privatisation used at one stage in the privatisation programme and was designed to bring about improvements in the
performance of the utility sector. The contract was between the utility company and a foreign company.

As there is no transfer of ownership in a management contract, the contractor has no incentive to maintain or improve the value of the assets beyond the level necessary for earning a satisfactory return during the period of the contract. Kent (1987) believes that management contractors charge excessive fees for minimal improvements in performance. Conflict between the contractor and government could result in negative consequences for the organisation (Dinavo, 1995). The management contract method of privatisation has mostly been used in developing countries, especially in Africa, where it is believed that there exists a shortage of management skills (Hanke, 1987; Cook and Kirkpatrick, 1995).

Although non-divestiture techniques result in increases in efficiency and the effective use of state assets, the literature on privatisation (Jennings and Cameron, 1987; Vuylsteke, 1988; Wortzel, 1988; Deane, 1989) however, argues that this technique should only be used as a temporary measure to return a state-owned enterprise to an acceptable level of operation and profitability. The gains of non-divestiture techniques of privatisation, they argue, would be eroded if other measures of privatisation that involved ownership changes were not advanced. Pirie (1988) believes that a reversion to past practices is imminent as the novelty of non-divestiture techniques die out and the orthodox practices of the public sector reassert their influence. The only way that the private sector practices could be sustained is by making sure that they are institutionalised and the literature argues that this could only be achieved through ownership changes. Deane (1989) argues that corporatisation
and other non-divestiture techniques do not clarify property rights to the extent that it will yield the right incentives to make restructuring transformation performance enhancing. Stark (1997) posits that accountability, effectiveness and efficiency could only be achieved and sustained with the clarification of property rights by the reassignment of such rights from the state to private hands. The literature on privatisation suggests that ownership changes are the only way forward in privatisation programmes. It, however, does not consider the institutional environment in which the privatisation programme is taking place and whether the same economic outcomes desired from a privatisation programme could be obtained from reforms other than ownership changes.

In the literature on privatisation, the weight of opinion among economists (Jennings and Cameron, 1987; Vernon, 1988; Vickers and Yarrow, 1988; Deane, 1989; Nellis, 1991; Ramanadham, 1993; Frydman and Rapaczynski, 1994; Dinavo, 1995) has emphasised the important role competition plays in improving performance. The competitive process and the structure of industry are central to economic life (Auerbach, 1988). Competition, according to Vickers and Yarrow (1988), is important to stimulate efficiency because it acts as a disciplinary mechanism for management and it promotes sound economic performance by making explicit the costs of inefficiency. In most economics publications, the view is widely held that competition is the dominant regulatory force of the capitalist market economy (Auerbach, 1988). Advocates of competition believe that it places each productive resource in the precise position where it can make the greatest possible addition to the total social dividend (Burke et. al, 1988) by preventing the exploitation of consumers. Competition is therefore not a goal but a means of organising economic activity to
achieve a goal (Stigler, 1968). The economic role of competition is therefore to
discipline the various participants (Vickers and Yarrow, 1988) in economic life to
provide their goods and services skilfully and cheaply (Stigler, 1968). As a result of
this, most of the reforms that have been carried out both in the developed and
developing world have included some aspects of reform to introduce competition
where it was absent, and to enhance it and make it more efficient wherever it was
present. The experience and outcomes of the privatisation programme undertaken in
the UK bears out the theoretical argument that privatisation is most effective if a
change of ownership is combined with measures to strengthen competition (Vickers
and Yarrow, 1988). The latter reforms in the New Zealand electricity industry were
driven by the need to introduce more competition into the industry.

More emphasis has however been placed in the literature (Vickers and Yarrow, 1988;
Deane, 1989; Nellis, 1991; Ramanadham, 1993; Frydman and Rapaczynski, 1994) of
ensuring that competition accompanies privatisation. However, the introduction of
competition is dependent on the stage of reform and the surrounding institutional
environment. If the institutional environment is not conducive to introducing
competition, its introduction would lead to undesirable outcomes. Many critics of
competition claim that it leads to a shoddy, acquisitive and unfair society (Burke et al,
1988). What these critics failed to consider is the institutional environment in which
competition was being introduced. Without rules of competition there will be conflict
and anarchy within the competitive environment with the ultimate losers being the
consumers. There is therefore the need for rules or regulation to govern the
competitive environment. Hayek (1980) places responsibility for an ordered
competitive environment upon the legal enforcement of such rules and the need for
the rules to be non-discriminatory. Governments normally undertake the prescription of rules of competition. Privatisation therefore cannot be considered as an entirely economic activity and other factors must therefore be taken into consideration in the decision to privatise, the drafting of rules of competition, as well as the implementation of the privatisation programme.

3.2.1.1 Corporate Governance and Control

In order that the outcomes of a privatisation programme are realised, it is essential that those who are responsible for the operational activities of the privatised enterprises serve the interests of the shareholders. Arrangements should be put in place to ensure that managers comply with the interests of the shareholders, as there might be a divergence between the interest of the manager and that of the shareholder. If this divergence is not controlled, the outcomes expected of a privatisation programme may not be achieved. This could have the potential of adversely affecting the performance of the organisation. The divergence may be due to the fact that the shareholder cannot sort out legitimate cases of tacit knowledge from cases of misrepresentation due to bounded rationality (Simon, 1957, 1961) on the part of the shareholder, and opportunism on the part of the manager (Williamson, 1975, 1985). Problems of divergence between the interests of the manager and shareholder are called agency problems (Jensen and Meckling, 1976). A number of theories have been developed to mitigate its effect (Jensen and Meckling, 1976; Fama and Jensen, 1983a, 1983b).

The shareholder (principal) in the privatised entity must monitor and provide incentives to entice the manager (agent) to behave in ways that would result in the
principal’s utility maximisation and avoid the adverse consequences of goal divergence. Kogut (1996) argues that incentives are not only monitoring devices but they also serve as signals of what is important inside an organisation. Contracts are written between the agent and the principal to specify the rights of the agent as well as establishing the rewards and/or sanctions to be faced by the agent (Fama and Jensen, 1983a). Most senior employees in the New Zealand electricity industry are on individual contracts that spell out the expectations of both management and the shareholders as well as the rewards employees will receive if the expected levels of performance are achieved. In the absence of contracts or agreements, managers have a tendency to act opportunistically to the detriment of the principal by shirking (Alchian and Demsetz, 1972; Williamson, 1975, 1985). Agents could also appropriate a sufficient portion of the benefits they produce. Monitoring mechanisms need to be put in place to prevent shirking. Incentive devices to co-align the agent’s behaviour with the desires of the principal include the payment of performance bonuses and, in cases where the property rights are privately held, giving managers an equity stake in the organisation (Jensen and Meckling, 1976; Jensen and Murphy, 1991). Sanctions usually involve the non-payment of performance bonuses or the termination of the agent’s services if performance falls below the desired level (Morck, Shleifer and Vishny, 1988; Jensen and Murphy, 1991).

Agency theorists (Jensen and Meckling, 1976; Fama and Jensen, 1983a, 1983b; Jensen and Murphy, 1991) have come out in support of ownership changes as the ideal form of privatisation. They suggest that the ideal structural form should involve some ownership stake for managers in the enterprise. Jensen and Murphy (1991) found that direct ownership of shares is by far the most effective incentive device for
manager motivation. Ownership of shares by managers ensures that risk is optimally shared between the principal and the agent (McGuire, 1988; Eisenhardt, 1989). Other economists (Jennings and Cameron, 1987; Vuylsteke, 1988; Wortzel, 1988; and Deane, 1989) suggest that non-divestiture methods of privatisation should be followed by asset sales so that the possibility exists for managers to become residual claimants (Fama & Jensen, 1983b), thereby constraining any rent-seeking behaviour they may be harbouring.

In order to mitigate against the problem of agency, Fama and Jensen (1983a, 1983b) have suggested the separation of ownership from control in order to monitor and control agent behaviour. They suggest that the ratification and monitoring of decisions in an organisation should be separated from the initiation and implementation of decisions. Ratification and monitoring, they posit, should be vested in a board of directors and the initiation and implementation of decisions should be vested in management. The agency rationale for privatisation is that it induces changes in corporate governance and managerial incentives which in turn lead to improved performance (Vickers and Yarrow, 1988; Cuervo and Villanloga, 2000). From the literature it would be expected that the separation of ownership from control would lead to better outcomes in a privatisation programme that involves ownership changes than one that involves non-divestiture techniques.

Agency theory is an organisational change theory that is both explanatory and prescriptive (Pratt and Zeckhauser, 1985), unlike most of the traditional management theory literature which is strongly prescriptive in flavour (Barney, 1990). It is a theory of interest, of motivation, and of compliance, and is useful in institutional
design and analysis, especially in the selection of agents and the design of remuneration and performance management systems. The changes in both New Zealand and The Gambia have, at different stages of the change process, incorporated changes based along agency theory by providing incentives to managers and by separating ownership from control.

Agency theory, however, overlooks altruism (Perrow, 1981, 1986; Jones, 1983) and integrity on the part of the agent. It ignores the importance of facilitative effort, in particular teamwork (Nilakant and Rao, 1994). The theory has also been largely one-sided in nature, focusing on the actions of agents and overlooking opportunism on the part of principals (Perrow, 1986). Table 2 overleaf gives an overview of the theory.

### 3.2.1.2 Governance Structure

Privatisation of the ownership and non-divestiture methods is normally accompanied by operational changes to bring about the economic efficiencies desired. The organisations normally undergo radical restructuring to achieve the optimal governance structures that would result in increases in economic efficiency. Organisational restructuring normally involves looking at the cost structures in place as well as the cost structures of alternative governance structures and adopting whichever structure best suits the organisation.
Table 2 Agency Theory Overview

**Agency Theory Overview**

<table>
<thead>
<tr>
<th>Key idea</th>
<th>Principal-agent relationships should reflect efficient organisation of information and risk-bearing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of analysis</td>
<td>Contract between principal and agent</td>
</tr>
<tr>
<td>Human assumptions</td>
<td>Self-interest</td>
</tr>
<tr>
<td></td>
<td>Bounded rationality</td>
</tr>
<tr>
<td></td>
<td>Risk aversion</td>
</tr>
<tr>
<td>Organisational assumptions</td>
<td>Partial goal conflict among participants</td>
</tr>
<tr>
<td></td>
<td>Efficiency as the effectiveness criterion</td>
</tr>
<tr>
<td></td>
<td>Information asymmetry between principal and agent</td>
</tr>
<tr>
<td>Information assumption</td>
<td>Information as a purchasable commodity</td>
</tr>
<tr>
<td>Contracting problems</td>
<td>Agency (moral hazard and adverse selection)</td>
</tr>
<tr>
<td></td>
<td>Risk sharing</td>
</tr>
<tr>
<td>Problem domain</td>
<td>Relationships in which the principal and the agent have partly differing goals and risk preferences (e.g., compensation, regulation, leadership, impression management, whistle-blowing, vertical integration, transfer pricing)</td>
</tr>
</tbody>
</table>

Source Eisenhardt (1989)

Most privatised organisations move to have the goods and services needed for their operations either internally or externally produced depending on the transaction costs.
associated with either mode of production (Williamson, 1975, 1985). In the New Zealand electricity industry most companies opted to outsource some of their operations. Frydman and Rapaczynski (1994) however, doubt whether transaction cost theory could ever hope to be able to decide that one or another set of institutional market arrangements is the 'best', in the sense of best solving the co-ordination, supervision and other contractual problems facing agents in an economic market. Pure economic considerations could not be used to determine the governance structure because political considerations as well as the institutional environment surrounding the organisation need to be factored into the decision to decide on an appropriate governance structure.

3.2.2 Privatisation as a Political Process

Although privatisation is widely regarded as an economic activity, it must also be considered as a political activity (Ramamurti, 2000). Economic policy formulation does not occur in a political vacuum. A climate for investment and growth, which usually forms part of the reason for undergoing a privatisation programme, requires steady and predictable government policy. Effective deregulation and the introduction of competition is also predicated upon a stable state. Privatisation involves redefining the role of the state with the state normally ceding some of its control or assets to the private sector (Ramanadham, 1993), which in itself is a political process.

The successful initiation of reform according to Haggard and Kaufman (1995) depends on rulers who have personal control over economic decision-making, the ability to recruit and back a cohesive reform team and the political authority to
override bureaucratic and political opposition to policy change. Before privatisation can take place, leaders must first of all perceive it as politically desirable and politically feasible. Political desirability means that the reforms would be of benefit to the leadership and its constituents and political feasibility means the ability for politicians to enact reforms and overcome opposition (World Bank, 1995). There is therefore a need for political leadership and the necessary drive and commitment to see privatisation through (Deane, 1995). In other words privatisation programmes are heavily dependent on the ruler's understanding, political savvy, strength and commitment (Callaghy and Wilson III, 1988).

The design of privatisation schemes varies by political conditions across countries, the persistence of the state and its administration of cultural values, social and political institutions influences the set of feasible evolutions (Hanke, 1987; Dinavo, 1995; Kogut, 1996; Ramamurti, 2000). Privatisation of the ownership variety, as well as economic purposes, can be carried out for ideological purposes especially by parties favouring more free market economic policies (Fregusson, 1992; McGowan, 1994). Economic crises in particular macroeconomic crises will normally bring about political demands for a change in the rules governing economic activity (Ramamurti, 1992; Bruno, 1996; Fligstein, 1996). The changes in New Zealand could be regarded as being triggered by economic crises and the move towards privatisation was both a political and an economic strategy to redress the situation. New Zealand is also characterised by a stable state despite the changes in government. The initial changes in The Gambia were politically driven, as it was the desire of the government to see the expansion of the electricity sector and to provide services to other areas of the country to demonstrate to the citizenry that every part of the country was important.
Chastened by financial crises and external pressure many governments in developing countries have shown a willingness to make fundamental reforms including privatisation. The latter changes in The Gambia fall under this category.

Politics and the environment both play important roles in the privatisation process (Ferguson, 1992; Ramanadham, 1993; Clarke, 1994; Frydman and Rapaczynski, 1994; Fligstein, 1996; Kogut, 1996). The constitution of property rights is usually a contestable political process with organised groups such as business, labour organisations and political parties trying to affect the constitution and reassignment of such rights to their benefit (Fligstein, 1996). The transfer or reassignment of property rights is not usually made to the highest bidder as would be expected if privatisation was a purely economic process, rather it is made to the bidder that best serves the political interest of the state (Fligstein, 1996). The stability and legitimacy of the state is important and measures to guarantee this are taken into consideration when major reform is being initiated. Politics is, therefore, at the centre stage of privatisation and must be recognised as a key factor affecting not only the adoption, but also the design of privatisation programmes and options.

Property rights, governance structures and rules of exchange are arenas in which governments establish rules for economic actors (Fligstein, 1996). Fligstein (1996) notes that governance structures refer to the general rules in a society that define relations of competition, co-operation and market specific definitions of how firms should be organised. These rules are normally prescribed through legislation and politics inevitably plays a part in the establishment of such rules (Rutland, 1997) and sometimes trade-offs are made to suit the political actors. Historically, regulation has
been justified on a variety of non-economic grounds related to the public interest, such as the need to maintain a particular industry or service for reasons such as the public good or national security (OECD, 1992). Politicisation of the process could lead to a potential conflict between the economic and political incentives of the main players in the process and this sometimes leads towards the bureaucratisation of the process which may result in its stagnation (Frydman and Rapaczynski, 1994). The introduction of industry specific regulation into the demand side of the New Zealand electricity industry is one area where politicisation has affected the process. Is there an optimum level of politicisation required in the privatisation process to bring about the desired economic efficiencies? Some states have greater capacities for intervention than others and the likelihood of intervention, according to Evans et. al., (1985), depends on the nature of the situation and the institutional history of the state. Frydman and Rapaczynski (1994) argue that one of the evils that flows from increased politicisation of the economy is inefficiency resulting from the rent-seeking behaviour of politicians. Most economists believe that privatisation leads to the depoliticising of the economy, however, Rutland (1997) argues that far from depoliticising economic decision making, privatisation necessitates the exercise of political discretion and creates massive opportunities for political manoeuvring.

In a country without a significant private sector, one cannot expect a far-reaching improvement in the functioning of any newly created privatised enterprise (Ramanadham, 1993; Frydman and Rapaczynski, 1994). Similarly, privatisation is seriously constrained in any country whose physical infrastructure (transport, electricity, telephone, water) is weak (Ramanadham, 1993). The physical infrastructure in any country is an area that is under the purview of government,
although the current trend in most countries is for these to be progressively handed over to the private sector for further development after initial development has been undertaken by government. Bearing these in mind, can western privatisation models developed in countries that have developed infrastructures serve as benchmarks in other places that have different political, economic and physical infrastructures?

In less developed countries privatisation through the sale of assets, to raise money for the state budget, has become synonymous with foreign investment. The clearer government policy is with regards to privatisation the better for investors, as government policy has an impact on potential investors. Foreign direct investment is dependent on the political and economic stability of the country of investment and requires adequate infrastructure, ready supply of trained labour, industrial peace and wage stability. The price paid for assets, the returns expected from the assets and the price charged for products and services obtained from the assets are all dependent on the political stability of the country (Coffee, 1996). In an unstable country the price paid for the assets would be low and the returns expected high to justify the risks associated with such an investment (Haggard and Kaufman, 1995).

Privatisation could lead to job creation as well as job losses. Effective privatisation without creating significant unemployment and related disruptions is difficult to achieve (Melloan, 2000). When jobs are created everyone is happy. However, job losses in any economy are a serious concern for governments as it could cost them their support base. Governments are therefore more interested in job creation because this lessens the burden on the taxpayer because in countries where unemployment benefits are paid, such payments become unnecessary. Job creation in any economy
will likely return the government and politicians making economic and political decisions in a democracy to power after elections. The impacts of privatisation on employment are undoubtedly the most widely recognised concern in almost all countries (Ramanadham, 1993). In certain countries (United Nations, 1995) steps have been taken by governments to limit the amount of redundancies allowed in the first few years of privatisation. Fergusson (1992) notes that managers in developing countries are more aware of social needs and wider social responsibilities and are accustomed to sometimes giving broader social and collective interest precedence to economic ones. It is uncertain whether such social considerations would lead to flawed privatisation programmes.

It must be constantly kept in mind that privatisation is not an end in itself and it is intended to produce certain results, which may be encapsulated in the term 'efficiency'. Ramanadham (1993) posits that an economy should not just aim for profitability but should rather aim at making a contribution to the well being of the community. Privatisation therefore conjures up political undertones and the organisational change literature could benefit from the identification of the impacts of privatisation as the process of organisational change proceeds. Despite its widespread adoption in recent years and the growth in the literature, the body of knowledge on the impact of privatisation is rather limited (United Nations, 1995) and the causes and consequences of this important policy shift are still not very well understood (Ramamurti, 2000). An identification of the likely impacts may provide policy makers and managers implementing those policies with ideas on what should influence privatisation programmes and how to shape such programmes to ensure favourable impacts.
3.2.3 **Privatisation as an Institutional Myth**

Privatisation, as has already been argued, is both an economic as well as a political process. However, privatisation can also be regarded as an institutional myth that has gained legitimacy through its widespread adoption. Privatisation in particular, and supply-side economics in general, as we now know it started in the United States and the UK in the early eighties, and within ten years the concept has spread and become institutionalised the world over. Privatisation has now become the dominant theme of public policy (Heald, 1985). Tolbert and Zucker (1983) define institutionalisation as "the process through which components of formal structure become widely accepted as both appropriate and necessary and serve to legitimate organisations" (p.25).

Privatisation is being widely adopted not because of the economic benefits it actually brings but because everyone is doing it. Countries that fail to go down the privatisation road are not taken as seriously as those that have and, according to Hanke (1987), they are perceived to have made no commitment towards privatisation. Legitimacy of an organisation in the eyes of society provides support from other organisations thereby increasing the likelihood of its survival (Pfeffer and Salancik, 1978).

Being a political process, the impetus for privatisation normally comes from governments. When governments are faced with economic crises (Ramamurti, 1992; Bruno, 1996), they usually resort to privatisation as a means to alleviate the crises and bring about a turn around in economic performance. Sometimes this drive by governments to bring about change are self generating such as the changes in New Zealand. However, external political pressure could sometimes be brought to bear on
governments forcing them to undergo change through the adoption of privatisation policies and techniques. Such pressure is normally brought to bear on governments which are desperately in need of external help. These powerful organised interests outside the state play a great part in shaping these organisations and drives them to incorporate practices to gain legitimacy and increase their survival prospects (Meyer and Rowan, 1977; Tolbert and Zucker, 1983). The aid which normally comes either through foreign governments (usually Western) and international funding agencies is usually contingent on reforms based on the concept of privatisation (Bierstecker, 1990). A number of economists and political scientists have looked at the spread of privatisation and have provided an overview of the extent to which governments have been under external pressures to conform to the concept of privatisation (Bierstecker, 1990; Ikenberry, 1990; McGowan, 1994). What is uncertain however, is whether these powerful organised interests are right in making aid contingent on reforms that involve privatisation and whether the outcomes of a privatisation programme that is voluntary and one that is forced upon governments would be any different? Would the reforms that are brought about through inducement have a strong and lasting effect on organisational performance?

Privatisation has become institutionalised through the process of imitation. Ideologies spread and the successes, failures and experiences of one country are examined by another. Organisations show their conformity by incorporating environmentally embedded (Granovetter, 1985) and institutionally rationalised rules into their structures (Meyer and Rowan, 1977) to maximise their legitimacy, stability and chances of survival (Zucker, 1987; Bloodgood and Morrow, 2000). Organisations are always on the lookout for the number of organisations similar or dissimilar to
them that may be changing, the direction of change and how clear it is as to whether the change strategies have achieved the change objectives (Bloodgood and Morrow, 2000). International bodies such as the EEC, the OECD, the World Bank and the IMF have served as information sources, transferring information on best practice on a wide range of economic activities (Bayne, 1987; Henderson, 1988) through their regular publications. Organisations therefore, from the information gained and from observing other organisations, undergo similar changes. Such types of change, through imitation, are a conscious effort by organisations to gain legitimacy. Roberts and Greenwood (1997) have used the term post-conscious institutionalisation to describe such changes.

The outcomes of the privatisation programme in the UK were largely regarded as successful as economic efficiency was enhanced and ownership was widely distributed among the population (Pirie, 1988; Vickers and Yarrow, 1988). Other countries quickly copied the British experience and undertook similar reforms. DiMaggio and Powell (1983) argue that when organisations are faced with ambiguity or uncertainty, they model themselves on more successful organisations in an attempt to gain legitimacy and demonstrate their resolve for improvement. This was quite noticeable in the New Zealand electricity industry especially in the distribution sector where the smaller companies mimicked the practices that had been adopted in larger electricity companies. Does gaining legitimacy through mimicry lead to better organisational performance? Is legitimacy sufficient to bring about improved economic efficiency? It is unclear from the literature on privatisation whether adopting privatisation programmes because others are doing it would make a major difference in an organisation or an industry. Purposeful and reflexive imitation is
quite a common phenomenon. However, Rottenburg (1996) asks the question on whether the present world-wide craze of privatisation is based on a verifiable superiority of the model?

The institutionalisation of privatisation has also been brought about through professionalisation. Universities, professional training institutions and professional and trade associations have served as important centres for the development of organisational norms (DiMaggio and Powell, 1983). Expertise played a great part in bringing about the institutionalisation of privatisation especially in developing countries with the presence of key policy makers as students in Western universities and Western advisers as key policy advisers in developing countries. In The Gambia many government officials had been on attachment programmes with the World Bank and the IMF in Washington. These institutions have been championing privatisation programmes in many developing countries and it was therefore no surprise when these officials on their return also took up the cause of privatisation as being the only solutions to the economic problems being experienced in The Gambia. In the developed world, there is a relative incestuousness amongst the policy community which relies on the same journals, the same conferences and belong to the same professional organisations (McGowan, 1994). Over the past fifteen years privatisation has been discussed among members of professional organisations and, after a while, members adopt such practices and introduce it into their own organisations. New Zealand is a member of the OECD and many government officials participated in OECD forums in which privatisation and its role in enhancing economic efficiency were discussed. The thinking of officials, as a result of training and through their association with professional bodies, after a while becomes
homogenous across an organisational field (DiMaggio and Powell, 1991). There also
existed in New Zealand the filtering of staff in the electricity industry, as many
companies in the distribution industry hired people in other electricity companies
(mostly from the larger electricity companies) to help them initiate change. Managers
and key staff drawn from the same institutions will tend to view problems in a similar
fashion and approach decisions in much the same way (DiMaggio and Powell, 1983).
This filtering of professionals helped the privatisation programmes to become
institutionalised within the electricity industry in New Zealand.

Most countries are driven to incorporate the practices and procedures that
privatisation entails because it has become rationalised through its widespread use in
economies which are perceived as successful (Western economies). By incorporating
privatisation legitimacy is increased irrespective of the immediate efficacy of the
acquired practices and procedures. Meyer and Rowan (1977) argue that because the
building blocks of organisations are considered proper, adequate, rational and
necessary, organisations must incorporate them to avoid illegitimacy. They go on to
argue that modern societies are filled with institutional rules which function as myths
depicting various formal structures as rational means to the attainment of desirable
ends. Privatisation can be regarded as an institutional myth as it is now being
regarded in most countries, such as The Gambia, as the only way to bring about
economic wellbeing. The World Bank and the IMF are two international bodies that
have served to legitimise the practise of privatisation. Privatisation programmes all
over have incorporated elements that has resulted in isomorphism with environmental
institutions such as incorporating elements that are legitimated externally rather than
in terms of efficiency (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Tolbert
and Zucker, 1983). The incorporation of institutionalised elements protects organisations from having their conduct questioned by creating myths of formal structure that shape the organisation. Meyer and Rowan (1977) note that such organisations become more legitimate, successful and are more likely to survive than organisations which have failed to incorporate the institutionalised form. Over time the procedures adopted are taken for granted by others as the right way to do things, as the myths built into institutional elements create the necessity, the opportunity and the impulse to organise rationally (Meyer and Scott, 1983). Meyer and Scott (1983) argue that such myths depend for their efficacy and their reality on the fact that they are widely shared, or are promulgated by individuals or groups that have been granted the rights to determine such matter. The World Bank and IMF are widely considered as competent to determine whether a developing country should move down the path of privatisation and their judgements are rarely questioned.

3.2.4 Privatisation as a Determinant of Organisational Change

According to Frydman and Rapaczynski (1994) privatisation must be understood as a comprehensive reform programme intended to liberate the productive forces of a society in which the elements of design must work in tandem with unpredictable, spontaneous evolution of economic institutions. However, changes at the institutional level must be accompanied by changes at the organisational level to bring about the desired results (spontaneous evolution of economic institutions). Focusing on one level can cause one to overlook important drivers of privatisation and some of its consequences (Ramamurti, 2000). Privatisation will normally result in enterprises having to find new ways of organising to generate and nurture new types of capabilities that are more relevant to the environment that privatisation is trying to
create. During a privatisation programme, the institutional environment is changed and the organisations therein are forced to respond to the changes in the environment. The response in most cases is expected to be immediate. Privatisation is synonymous with the movement away from the production of goods and services for the public good to the production of goods and services for profit. Organisations must therefore undergo a radical re-conceptualisation of mission, leadership, strategy and culture. The changes required of privatisation include changes in strategy and structure as well as adjusting and encouraging individual employee behaviour and motivation (Dean et al., 1999). It is also essential that the employees’ mindset be changed from that associated with the provision of a public good to operating strictly on commercial lines. The changes involved in a privatisation programme at the organisational level therefore cannot be brought about by a mere continuation of the status quo but there must be a radical transformation of the entire organisations.

Nadler and Tushman (1989) have identified two types of changes - changes that focus on individual components are called incremental changes and changes that address the whole organisation including strategy are called strategic change. Incremental changes, they argue, do not address fundamental changes in the definition of the business, shifts of power and alterations of the organisational culture. Incremental changes, according to Tushman et. al. (1986), Nadler and Tushman (1990), and Newman (2000), are compatible with the existing structure of the company, builds on the past and generally takes place within the general framework already in place. Privatisation clearly is not compatible with the existing structure of organisations and does not take place within the framework present. It in fact discards most of the past practices of organisations. It therefore must fall under the second category of changes
identified by Nadler and Tushman (1989). Table 3 below outlines Nadler and Tushman’s (1989) categorisation of organisational change.

### Table 3 Types of Organisational Change

<table>
<thead>
<tr>
<th>Incremental</th>
<th>Strategic</th>
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<tbody>
<tr>
<td><strong>Anticipatory</strong></td>
<td>Tuning</td>
</tr>
<tr>
<td><strong>Reactive</strong></td>
<td>Adaptation</td>
</tr>
</tbody>
</table>

(Source Nadler and Tushman, 1989)

The transformation to privatisation therefore involves major discontinuities with past practices of state-owned organisations run by the government (Daintith, 1994). Discontinuous changes involve simultaneous and sharp shifts in strategy, power, structure, and control (Tushman et. al, 1986). Discontinuous change is a metamorphosis of the organisation (Meyer et. al, 1993; Newman, 2000). It is abrupt, painful to participants and often resisted by the old guard (Tushman et. al, 1986). Such types of changes occur in response to, or in anticipation of, environmental changes. Most of the changes in the New Zealand and the Gambian electricity industries were revolutionary changes and were in response to environmental changes that were brought about by the declining economic situation. However, some of the changes in the distribution sector in New Zealand were in anticipation of changes to the environment especially before the split of line and energy businesses in 1998.

Reorganisations of a discontinuous nature such as privatisation are usually fraught with difficulty, uncertainty, ambiguity and complexity. Political, social and enterprise
managerial attitudes have an important bearing on the pace of privatisation and its outcomes. It is the contention of this thesis that the manner in which the above processes are handled has a bearing on the outcome of the change process. In managing the organisational change process, those responsible for establishing the policy and for implementing the process must ensure that transparency is maintained at all levels so that all parties could be assured of the fairness of transactions (Ramanadham, 1993). Trust therefore seems to be an important element in the process of bringing about organisational change that involves privatisation.

The introduction of private sector practices into the public sector or the transfer of property rights involves a major paradigm shift and new strategies are required for the ‘new’ organisations, as the old must be discarded. Invariably, when organisations need a new strategy, they often have to hire new people to help lead the process of organisational change and develop the new strategies needed to bring about the desired paradigm shift (Tichy and Ulrich, 1984). Organisations typically hire people who have participated in similar change programmes and can therefore bring in a new perspective to the organisation (Kanter, 1983; Tichy and Ulrich, 1984; Tushman et. al, 1986; Nadler and Tushman, 1990; Pettigrew, 1991; Kotter, 1995; Bloodgood and Morrow, 2000). Strong leadership is therefore important in any change process, especially in a privatisation programme, as it becomes the foundation on which change is built (Nilakant and Ramnarayan, 1998). The leadership must be able to attend to the environmental shifts that affect privatisation and take action to create conditions that motivate the desired behaviour in the organisation. The literature on managing discontinuous change emphasises the need to bring in outsiders to manage change (Tichy and Ulrich, 1984; Tushman et. al, 1986; Nadler and Tushman, 1990).
However, what is actually required in a change programme that involves privatisation is a leader who understands the concepts of privatisation and a leader who is able to make complete breaks with the past, in other words bring about the required paradigm shift.

Due to the political nature and the economic ramifications of privatisation, the process is most likely to be opposed by special interest groups affected by the changes (Ramanadham, 1993; Clarke, 1994; Frydman and Rapaczynski, 1994; Rutland, 1997). Managing this opposition and resistance is an integral part of managing the change to privatisation. The efforts towards change must overcome efforts within the organisation and outside the organisation to maintain the status quo (Starbuck, 1965).

Is resistance to change due to the lack of trust in the change programme or in the change implementors? What role do communication, teamwork and participation play in the change process? The literature on the management of change suggests that communication, teamwork and participation could play important roles in stemming resistance to change (Kotter and Schlesinger, 1979; Moris and Raben, 1995; Rutland, 1997).

The literature on the management of change suggests that in a discontinuous change, such as those carried out in New Zealand and The Gambia, the speed of change would have a bearing on the outcome of the change process. The literature posits that if change is implemented slowly, it prolongs the process and gives special interest groups time to organise and form a coalition that could undermine the changes. This strengthens institutional and organisational inertia and may result in the status quo being maintained (Tushman et. al, 1986; Strebel, 1994; Kotter, 1995; Nadler et. al,
1995; Rutland, 1997). This was evident in New Zealand where the changes have taken around fifteen years although at the start everyone involved in the process knew what was required and what to do. However, due to the long period it has taken a lot of resistance was encountered along the path of change.

3.3 Conclusion
Although privatisation is largely regarded as an economic activity, it must also be regarded as a political activity, an institutional myth and a determinant of organisational change. Many organisational interventions require both macro (national) and micro (organisational) level changes and the failure to carry out the desired changes at these two levels may result in the anticipated change outcomes not being achieved. Privatisation is one such concept (multi-dimensional in nature) that can affect different facets of organisational transformation in multiple ways (Zahra et. al, 2000). Several options could be used to bring about the privatisation of state owned enterprises. However, whatever method is used, the environmental context must be taken into account when the privatisation programme is being designed and implemented. The environmental context is usually determined by the political, economic and social circumstances present in the society.

Privatisation must be accompanied by proper governance mechanisms to curb opportunism. Agency theory offers some solutions aimed at mitigating the problems associated with opportunism by providing incentives and separating ownership from control to ensure that management complies with the wishes of the shareholders.

Privatisation has become institutionalised in modern society due to its widespread use in many countries. It has thus been accorded legitimacy and increases the survival
prospects of organisations that have been privatised irrespective of the efficacy of the acquired practices.

The implementation of private sector practices must take place at the organisational level. Organisational changes include making changes to the strategy and structure of the organisation and these usually involve a significant departure from past practices as the 'new' organisations must generate and nurture new types of capabilities.

Ramanadham (1993) asserts that whatever the option used in privatisation, unless there is an attitudinal change from all the major actors – the bureaucrats, the owners, the managers and the workers – the process is likely to have limited success. Performance measures in any organisation cannot be considered in isolation from the culture, structure, environment and objectives of the organisation (Jackson and Palmer, 1989). Privatisation is not a panacea or a formula, it is an approach that can generate and focus creative policy ideas. The focus of privatisation as an elixir to the renovation and revitalisation of industry has been based on the belief that firm restructuring is most effective when private. However, very few empirical studies have been conducted to confirm or refute the efficiency argument along the public/private sector dichotomy in both developed and developing countries (Millward, 1988; Musa, 1994; Cuervo and Villanlonga, 2000). However, economists and political scientists are in agreement that a good privatisation programme should facilitate the establishment of a firm system of managerial accountability and control. This thesis provides a more nuanced view of privatisation as organisational change by examining it at both the macro (national) and micro (organisational) levels.
Chapter 4

The Story of Change in the New Zealand Electricity Industry

4.1 Introduction

Change over the last fifteen years has been an ongoing process in the New Zealand economy. The changes in the New Zealand economy were initiated in response to a deteriorating economic situation sparked off by the oil shocks of the seventies. The economic situation was made worse when the United Kingdom joined the European Union because, up to then, the UK had absorbed most of New Zealand’s exports.

Electricity played an important role in the socio-economic development of New Zealand. Prior to the economic reforms, the electricity sector was the biggest government owned department and provided employment in the economy for around fifteen thousand people. In a bid to make the economy more efficient, there was a need for reform in the government’s biggest department. The electricity department became one of the first of the government departments that were to be reformed.

This chapter describes the changes in the electricity industry in New Zealand. The chapter traces the changes in the industry from its development in the late nineteenth century to the most recent changes. The ideology governing the changes has been described under three categories: corporatisation, deregulation and ownership changes. The manner of implementation and the strategies adopted by the various participants in the industry are also discussed in the chapter. The problems encountered along the path of reform are discussed and the chapter concludes by
looking at the outcomes of the change programme. A timeline of the changes in New Zealand is shown in Table 4.

**Table 4 Timeline of Change in the New Zealand Electricity Industry**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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| 1987 | Corporatisation of NZED into ECNZ.  
      | ECNZ responsible for Generation and Transmission. |
      | Corporatisation of Local Authorities into Electric Power Companies.  
      | Removal of Exclusive Franchise Areas. |
| 1994 | Separation of the National Grid from ECNZ.  
      | Transpower formed to own National Grid. |
| 1996 | Split of ECNZ into two SOEs.  
      | Contact Energy formed.  
      | Fully Competitive Wholesale market established. |
| 1998 | Electricity Industry Reform Act passed. |
| 1999 | ECNZ Split into 3 SOEs.  
      | Meridian Energy, Genesis and Mighty River Power formed.  
      | EPCs required to separate line businesses from retail businesses.  
      | Generators allowed to retail electricity.  
      | Mergers of lines businesses and retail businesses. |
In the write-up of the case all quotes have been italicised. Some of the shorter quotes have been included in sentences and these have been shown in between inverted commas. Longer quotes have been put in separate paragraphs.

4.2 Development

Electricity generation was started in New Zealand in 1888 and pioneered by the private sector who were using it in the gold mining industry. Keen interest in electricity quickly developed, and soon after local governments became interested in electricity because of the potential of using it for street lighting. The steady growth in the demand for electricity, and the geographic spread of settlement in New Zealand, led to the involvement of the central government. The central government took over the development of generation and transmission infrastructure because it (the government) felt that it was the only organisation capable of providing the substantial infrastructural investment required. Local government authorities were established to take up the responsibility of distributing and retailing electricity. Two types of local authorities emerged; one was owned by municipal councils and known as Municipal Electricity Departments (MEDs) and the other was set up by statute, had elected officials to run its affairs, and was known as Electric Power Boards (EPBs). Each local authority had a very well defined and tightly protected franchise area across which other authorities were not allowed to enter to distribute or retail electricity.

The demand for electricity continued unabated for almost sixty years and during this time the government embarked on several dam construction projects in order to meet the country’s insatiable demand for electricity. A national transmission grid was built and by the early sixties New Zealand had developed a fully interconnected electricity
grid with the commissioning of the Cook Strait cable to link the North and South Islands. During this period of growth several local bodies were formed and by 1959 there were eighty-four local bodies responsible for the distribution and retailing of electricity to over ninety-eight percent of the country’s population.

4.3 Economic Crisis

Electricity was partly responsible for the rapid growth of the economy and by the early fifties New Zealand was among the top five countries in the world in terms of GDP per capita. The late sixties and early seventies saw a gradual but steady decline in economies worldwide. The New Zealand economy, which was mainly based on agriculture, also declined as a result of the oil shocks, the agricultural subsidies that were put in place by the European Union and the United States, and Britain joining the EEC. This decline resulted in a general unhappiness with the whole economic development of New Zealand, and signs were emerging that the government sector was far less efficient than the private sector whose assets were performing better than government assets. This decline in government performance in the words of a senior government official, “gave rise to a substantial intellectual drive by quite a large group of people to say that there’s got to be a better way of organising ourselves”.

Several articles on how to remodel the economy to make it more efficient were published by government officials and private sector lobby groups. The private sector lobby groups through their publications were putting pressure on the government for radical change in the economy to make it more effective and efficient.
4.4 The Ideology and Changes in the Electricity Industry

This section outlines the changes that have been carried out in the New Zealand electricity industry. The changes have been categorised and discussed under the headings corporatisation, deregulation and ownership changes.

4.4.1 Corporatisation

In 1984, there was a change of government in New Zealand. The change was shortly thereafter followed by an economic crisis precipitated by declining foreign exchange reserves. This crisis added to the already existing woes in the economy and demanded immediate attention. In a bid to salvage the economy, the government embarked on a widespread reform programme that affected every sector of the economy. A series of radical measures was undertaken by the government to open up the economy and remove all the barriers, such as import and export control, currency exchange rates, and restrictions on investment, which had contributed in making the New Zealand economy one of the most regulated economies in the OECD.

According to one of the managers in the electricity distribution sector:

*There was a drive for efficiency and I think that has come from government where we had to become more efficient which meant getting smarter or getting rid of the fat in the organisation.*

The government reform programme was aimed at reducing "fat" in the economy, especially in the sectors where the state participated in commercial activities. One of the industries affected was the electricity industry. This was an important industry as it provided service to many other industries, and its improvement would benefit the whole economy.
The electricity industry was characterised by a lack of efficiency and excessive capital investment, as most investments "were determined by Labour policy, rather than the most efficient way of realising the lowest price of electricity". The industry was also characterised by the "cross subsidisation of domestic consumers by industrial and commercial consumers, which impose greater costs on the productive sectors of the economy". The price of electricity was determined and tightly regulated by the government. The price setting mechanism in place did not take into consideration the true costs associated with the production and transmission of electricity. These characteristics of the industry were what the government reform programme set out to change.

One of the components of the ideology governing the reform programme was to have limited government intervention and involvement in the electricity industry (and other industries). It was believed that the "private sector model of business is superior to the government model of business" and this was made evident by the fact that the government assets were performing less well than similar assets in the private sector. According to a senior government official,

*The notion of private sector being better than the government sector has been substantially an ideology but I feel that government is capable of running its businesses better than it has or can do.*

The government felt that the best way to revive the deteriorating economy and to run its businesses better was to "get the best of the private sector and put it into the public sector". A senior official reiterated the fact that in order to achieve the necessary efficiencies in the electricity industry,
it was necessary to shift the bulk of the electricity industry from government department status into a government company status and so instead of public service as one type of objectives, you have commercial objectives.

Efficient prices in the industry could only be achieved by ensuring that investments in the industry were efficient. Investments in the past were never considered in economic terms, as an expert explained.

We have a history in the generation side of planning and construction cycles that is totally out of phase with the actual demand realities. We have had massive shortages of generation; the last one was in the mid-seventies and we had brown outs and rotating blackouts. It was actually Wellington’s turn not to have two hours of power on a bloody cold winter’s night! At other times massive building of generation which would not be required for another ten to fifteen years, which actually led to the current oversupply of capacity which is not expected to disappear for the next five to eight years depending on who you talk to.

An example of inefficiency in the industry was the building of the Clyde dam. It was a known fact in the planning stage that there were risks involved with building one high dam on the river rather than a series of low dams. The government, however, went ahead and ordered a single high dam to be built. This project was fraught with problems due to it being located on an earthquake fault and having problems with land stabilisation. One senior manager in the industry had this to say about the government’s decision to press ahead with the investment made on the Clyde dam.

I don’t think a private investor would have been stupid enough to take that sort of a risk on it and it is the tax payer who had to foot the bill. The cost of producing electricity from the Clyde dam is far higher than what the electricity obtained from it is actually sold for.
The corporatisation process, which entailed the embodiment of private sector practices into the public sector, was introduced to improve the efficiency of the electricity industry. Corporatisation was an economy wide reform programme that was also applied to the other industries facing economic decline. In April 1987, the assets of the New Zealand Electricity Department (NZED) were transferred to a new corporate entity called the Electricity Corporation of New Zealand (ECNZ). ECNZ was to be a government owned enterprise with government being the sole shareholder albeit with private sector model practices employed. This transfer of assets (generation and transmission) was carried out under a blanket piece of legislation, the State Owned Enterprises Act 1986 (see Appendix One for a review of the SOE Act), which affected all state trading activities (electricity, coal, and telecommunications). The SOE Act 1986 was meant to provide an environment that would lead to the adoption of commercial concepts into the operation of the state’s trading activities. ECNZ was to be run in a commercial manner, in the hope that the pressures of commercialisation would get the desired efficiencies in place.

*I think the SOE structure is quite good as it actually divorces the company because the crown appoint the board of directors and the board of directors runs the company on commercial lines. The board of directors is selected basically from directors with commercial experience as well, so they know what’s what.*

The corporatisation process was meant to bring in very strong capital market disciplines, where investment decisions would be made very carefully on the basis of good analysis of the market. The pricing mechanism in the industry was inefficient and needed to be reformed so that the price of electricity would truly reflect the cost of production. To attain a modicum of efficiency in ECNZ, it was necessary that prices of electricity tend towards Long Run Marginal Cost (LRMC) of electricity (the
cost of producing electricity from the next new power station to be built). This ideological shift from a public to a private sector model by ECNZ heralded the start of a new era in the electricity industry of “cutting out increased costs” and “making things more efficient”.

The corporatised ECNZ was allowed to improve its performance by employing private sector concepts. ECNZ was obligated to enter into an agreement with the government on a set of objectives and performance targets. These objectives and targets were embodied in a Statement of Corporate Intent (SCI). According to published figures in the annual reports of the corporation, the concept of limiting the role of government in state commercial activities paid substantial dividends. Following the corporatisation of ECNZ there were marked improvements in the performance of the corporatised entity compared to its performance under government departmental status.

The changes in the electricity industry were initially concentrated on the supply side of the industry (generation and transmission). In order to fully realise industry-wide efficiency gains, it was necessary that corresponding reforms be made on the demand side of the industry (lines and energy). The demand side of the industry was being run as vertically integrated entities (similar to the supply side) but under local government control. The MEDs were owned by local councils and operated in cities and towns, and the EPBs were run by locally elected boards with the sole purpose of distributing power to both urban and rural consumers. The EPBs were creations of statute and had jurisdictions large enough to provide the necessary tax base to raise capital for infrastructure development. Political influence from local politicians was
rife in the distribution sector. The pricing mechanism was distorted in this sector of the industry as a price discrimination strategy, by means of cross-subsidisation, was employed where domestic consumers were subsidised by commercial and industrial consumers.

The government felt that the principles of corporatisation should be applied to the demand side to make it more efficient, to introduce commercial objectives and to limit the role and influence of local government. Corporatisation of the demand side, it was felt, would lead to overall industry efficiencies. Corporatisation of the demand side was achieved through the Energy Companies Act 1992 (a review is given in Appendix One), which required the local bodies to acquire corporate forms, and to have commercial objectives. Demand side companies were transformed into corporate taxable entities.

The concept of limiting the role of government resulted in some successes however, the desired levels of economic efficiency in the industry were not achieved. The industry was still notably a monopoly industry, where the government owned entity ECNZ produced 96% of generation and controlled the national grid. There was no competition on the supply side and ECNZ dictated the terms and conditions of supply to demand side companies. Although corporatisation had succeeded in making the industry more commercial, it was felt that the efficiencies could be further increased with competition. On the demand side, local authorities had been transformed to corporate entities, but were still supplying consumers in tightly controlled franchise areas. The industry was thus characterised by a government owned monopoly on one
side and local government owned monopsonies on the other side. A senior
government official summed up the situation thus:

*I think probably a couple of years ago people sat down and had a look
and asked whether corporatisation had achieved the objectives that
were set for it. Enough people decided no and then moved fairly
quickly to try and achieve the objectives we then had; in particular, to
introduce more competition into the electricity sector.*

4.4.2 Deregulation

In the mid-nineties, the ideological drive shifted from limiting the involvement of
government to introducing competition in the industry. The facilitation of
competition in the electricity industry could only be made possible by the removal of
some of the regulations that governed the industry. The regulations had previously
ensured that electricity generation and transmission was guaranteed monopoly status.
Competition in both the supply and demand sides of the industry was deemed
necessary to increase the overall efficiency of the industry. The generation sector had
earlier been deregulated in 1988, a year after corporatisation, however, there were no
new entrants to this sector due to the high capital investment requirements of this
sector. Competition in the supply side of the industry was also inhibited by the fact
that ECNZ had inherited an oversupply of generating capacity from the NZED as a
result of bad investment decisions made by government.

On the demand side, the tightly controlled franchise areas meant that there was no
competition among distribution companies, and consumers within a particular
franchise area were captured by the local distributor in that area. Competition on the
demand side could only be facilitated by the removal of the tightly controlled
franchise areas. In April 1994, the exclusive franchise areas, granted through statute,
were removed as part of the deregulation of this sector to facilitate competition. The inefficiencies on the demand side were not only caused by the franchise areas, but also by the large number of distribution companies in place to serve a consumer base of around 1.3 million (there were up to eighty-four companies at one stage). The proliferation of distribution companies reduced the economies of scale within the demand side of the industry, as some of these companies were known to have fewer than ten thousand customers.

With the removal of the franchise areas and the introduction of competition, real competitive pressure was put on many distribution companies, especially the smaller ones dotted around the country. Competition on the demand side led to mergers and acquisitions as distributors tried to consolidate and introduce cost efficiency in their operations. The number of distributors dropped after the deregulation of the electricity industry and by 1997 there were only thirty-seven distributors in New Zealand. The reduction in distributors resulted in an increase in the overall efficiency of the demand side of the industry.

Ideologists argued that an efficient industry could only be achieved if there was sufficient competition in both sectors of the electricity industry (demand and supply). Analysts at the Treasury argued for the separation of the competitive parts of the industry from the non-competitive parts. To attain this it was necessary for the industry, which was characterised by vertical integration comprising a competitive sector (generation and retailing) and a non-competitive (natural monopolies of transmission and distribution) sector, to be split.
So competition is first and foremost the key way to those benefits. But of course in an industry like electricity they've also got strong natural monopoly characteristics and therefore a key part of the reforms was to separate out structurally the natural monopoly parts of the business from the contestable parts of the business, so that competition could flourish where competition is possible. But also the natural monopoly parts were separated out, ring fenced and with special regulatory requirements applying to them, like information disclosure and that type of thing.

ECNZ was responsible for both generation and high voltage transmission. Their ownership of the transmission grid could adversely affect other generators wanting to connect to the grid and stifle competition. In 1994, the government carried out a separation of the transmission grid and set it up as a separate SOE, called Transpower New Zealand Limited (Transpower), under the SOE Act 1986. The split was carried out to facilitate the entry of new generators into the generation market in order to enhance competition.

To facilitate more competition in the supply side of the industry, the government decided to reduce ECNZ’s dominance of the generation market. In 1996 the government sold off some of ECNZ’s assets to a newly created SOE called Contact Energy to encourage competition in the generation sector. ECNZ’s market share dropped from 96% to around 70%.

To get competition in the wholesale generation of electricity you actually need a pool, so you have to have a fair amount of electricity traded through that pool, which means you need active buying and selling on the spot market.

After splitting ECNZ and the formation of Contact Energy, the New Zealand Electricity Market (NZEM) was established in October 1996 as a pool for the wholesale selling and buying of electricity and electricity contracts. The NZEM
provided an environment that not only allowed competition, but also served as a means for discovering prices to reflect supply and demand in the market. The discovered prices in a market of only two participants, with disproportionate market shares, was not necessarily the most effective because ECNZ still had dominance (70% share to Contact’s 30%) and could extract monopoly rents. To further enhance the competitive environment in the supply side of the industry the government, in 1998, through the Electricity Industry Reform (EIR) Act 1998 (a review is in Appendix One), decided to break up ECNZ into three smaller SOEs to make the sector more competitive. The three new companies created in April 1999 were Mighty River Power, Meridian Energy and Genesis.

Industry participants wanted more reform on the demand side of the industry, as the removal of exclusive franchise areas proved insufficient to achieve the desired levels of competition. The distributors and retailers who were vertically integrated, it was argued, were capturing the gains of the wholesale electricity market (lower prices).

When you have an integrated company it owns both the lines and is performing the retail function. It has got very strong incentives to try and keep out any other competing retailer, any new entrant retailer.

In 1998 the government, in a bid to make the demand side more competitive, took the unprecedented step (not taken anywhere else in the world) to require the total separation of lines and energy businesses (through the Electricity Industry Reform Act 1998). This separation was to ensure that the efficiency gains from competition, in the supply side, would be passed on to the final consumers. It would also minimise, or remove altogether, cross-subsidisation in the industry. Barriers that had
been put by distributors in the past, barring other distributors from gaining access to what was once their traditional franchise area, would also be removed by separation.

Because it is a stand-alone business, it then has no incentive to try and get others out and offers itself as a common carrier. So you've dealt with the incentive problem and therefore you don't need all sorts of regulations and rules to try and ensure that they give open access.

Separation and competition on the demand side of the industry were expected to lead to further rationalisation of the demand side, due to the strong likelihood that underperforming power companies would be taken over by better performing companies, and would result in improving the efficiency on the demand side. There have been significant changes in the demand side since the introduction of the EIR Act 1998.

I guess what has happened over the last year, with the consolidation of the network and retailing side, there has been the splitting of the two out, and there has been lots of buying and selling and consolidating to a smaller number of larger organisations. Probably it is going to enhance efficiency quite significantly.

The latest round of reforms, where the government has directed that distribution lines and energy split, will at least see that benefit being passed on to customers, as opposed to currently being captured by those power companies that have lines and energy.

4.4.3 Ownership Changes

The introduction of private sector practices, through the process of corporatisation, in the supply and demand sides of the industry, and competition resulted in the industry becoming more efficient than it was. However, ownership issues in the industry had to be clarified, as ideologically it was felt that greater efficiencies could be obtained from further privatisation programmes that involved ownership changes, as there were problems inherent in the corporatisation model. Ownership issues had created
problems on the demand side of the industry as EPBs, being products of statute, did not have any owners, and it was necessary that appropriate owners be found for them.

Most industry participants felt that the continued government ownership, central or local, of a greater part of the industry was not conducive to obtaining the desired efficiency levels in the industry. Although the corporatisation model took away the involvement of government in operational matters, with continued government ownership there was always the possibility of politicians interfering and disrupting the commercial objectives of the industry. Faith had also been lost in the government's ability to deliver the required results due to the length of time the reform process had taken. One government official put it thus:

*I think historically there are lots of examples, because governments when they are involved in industry, stuff it up. The reasons for that is that the considerations of the government are not only solely commercial. Political considerations play a great part and governments tend to tinker with things because there is a perception that it needs tinkering with. There might actually be economically that there is no reason to tinker with it, and the industry is operating reasonably efficiently. But because there is a perception in government that something needs to be altered, it gets altered and upsets the equilibrium and the new equilibrium is not as efficient for everybody as it might be.*

Industry managers believed that the industry could become more efficient with the elimination of possible government interference through ownership changes because government could not divorce the commercial realities from political gain. They believed that the government had a role as a facilitator and not as an owner and player in the industry.
I think they (the government) should just be involved in the high level framework; in making sure that there is a natural playing ground requiring that the Commerce Commission is making sure that there is competition and we don't see subsequent mergers that result in one company being dominant like ECNZ. Other than that I can't see any reason why the industry can't just operate like any other business. There are the structures in place to allow competition.

In future I think the government needs to closely monitor the industry because it is still an integral part of our community and well being and they can't just turn a blind eye on it. I think they need to keep an eye on the industry to make sure that the companies are honest, so to speak, and that the customers are getting the benefits. And that is from domestic right through to commercial, so it flows into the economy.

Otherwise their role is simply to legislate as necessary to complete the breakdown of old structures, so that they are competitive: and once you've set that up you can leave it to the industry.

The government clearly has a role as a regulator. There's no doubt that bits of the industry are monopolies and they've got to control these monopolies by regulation, as there's no other way.

The capital requirements necessary in the electricity industry make the generation, transmission, distribution and retailing of electricity a very risky business. Some industry managers and treasury officials believe that further privatisation which involved the reallocation of property rights would remove the government from the investment risk present in the industry. Some industry managers also believed that there would be gains from any programme that involved the reallocation of property rights.

I think probably the main benefit is that you bring in very strong capital market disciplines, where investment in the industry is done, as I said before, very carefully on the basis of good analysis in the market, and there are strong incentives to ensure that the performance levels are maintained and costs are reduced.

I just really think the tension of private ownership and return versus competition trying to keep things down, fighting each other, the good side of private ownership and return is that it will keep costs down.
Privatisation proponents also believed that the reallocation of property rights would free up capital for the government, as well as provide new capital from any asset sales which could be used to provide other essential services that only government could provide such as policing, health and education.

The reforms in the demand side of the industry after 1994 resulted in some larger EPBs opting for private ownership and subsequently some had their shares traded on the New Zealand Stock Exchange (NZSE).

Most of the power boards concluded that their customers owned them in one form or another and in a lot of cases these ownership were progressed through a trust arrangement, where the beneficiaries of the trust are either the community, or the customer, or some charitable organisation.

In March 1999, the government announced the sale of Contact Energy with forty percent sold to a cornerstone shareholder and the rest of the shares floated on the NZSE, allowing ordinary citizens to acquire shares. The proceeds of the sale of Contact Energy were to be used by the government to repay some of its debt obligations.

The separation of line and energy businesses on the demand side in 1999 has fostered the drive to see a fully privatised electricity industry. Local authorities have been forced to sell either their lines or energy businesses and the buyers so far have largely been from the private sector. ECNZ also bought some retail businesses and these were handed over to the newly formed SOEs after the split of ECNZ. The government has, however, said that the three new SOEs will not be privatised in the foreseeable future.
The changes in the electricity industry in New Zealand have been largely based on an ideology, which, over the last fifteen years has been focused towards increasing the economic efficiency of the industry.

In late 80s it was about efficiency and getting the historical sort of franchise or barriers to efficiency removed and in the last ten years it has been about bringing that to a conclusion, but it is still about efficiency. But I would like to think that even though there is always a political or some political content, I would still like to believe that at the end of the day what we end up with is in the interest of New Zealand’s economic well being, and not just satisfying political aspirations of particular individuals. I am convinced that it is about efficiency, and we will certainly have a far more efficient industry when all this is over, when the reform is over. So it's all about efficiency.

4.5 Implementation of Change

The direction and the outcome of the change process in the electricity industry in New Zealand have been dependent on the implementation process. The implementation of change in an industry as complex as the electricity industry was quite demanding and needed the commitment of all involved in the process.

The precursor to the change process was the work carried out by the Treasury. This was contained in briefing papers that were very intellectually based, the focus of which was on how to make government owned organisations more competitive. The papers addressed the three issues of corporatisation, deregulation and ownership changes, which have already been discussed above.

The implementation of the reforms in New Zealand needed people capable and experienced in designing and managing change. The New Zealand Treasury served
as the "powerhouse" of change with regard to policy design. The employment regulations in the public sector needed to be changed so that the people who were experienced in managing change from the private sector could be brought on board to lead the change process in the government owned companies. Changes were made in employment laws within the public sector contemporaneously with the corporatisation process and this brought the employment conditions in the public sector in line with those in the private sector.

4.5.1 Boards of Directors

The first stage in the implementation process was the appointment of establishment and transition boards to prepare the organisations for corporatisation. Most of these establishment and transition boards later became the incumbent boards after corporatisation. The former head of the State Services Commission (SSC) who played a significant part in the reform process in New Zealand was very instrumental in establishing the boards for the newly formed SOEs, as explained to me by a senior manager in the industry.

Because of his association with the finance and banking sector over a period of time at a senior level, he knew a lot of private sector entrepreneurs and industrialists and so as head of the SSC, he was asked to put together a series of boards for the SOEs. They formed the nine new SOEs and he and a team at the SSC advised the government on whom to appoint, and they appointed really outstanding businessmen. For a period some of the people who went on the boards were some of New Zealand's very best business people and so they then appointed chief executives who knew what to do and away they went. Now they've stopped doing that and they've gone back to their old habits. They're getting a mixture of people and some of them political people
The boards' prime objectives were to lay down the policies of the SOEs and the electricity companies and set objectives for the management of the organisations. The boards were also given enough freedom to get on with the job and appoint the chief executives and managers of the various companies that make up the industry. According to a former manager in the industry:

*Most board members were not good managers but they were good strategists and knew where to look for and get people who understood the strategy and could manage the company.*

The board members were competent and had experience in strategy and policy formulation which they passed on to the new organisations they were directors in. There was synergy between the various interests group charged with implementing the reforms in the industry and this helped the implementation process, as explained by a manager:

*For a period of some years, there was a remarkable coincidence of common sense of directions between the politicians, the businessmen who helped them and the people that got put into executive positions in the corporations.*

### 4.5.2 Outside Influence

After the boards had been set up, it was necessary to put in place the required staff to implement the changes that were required to make the industry more efficient. Most of the organisations within the industry brought in new chief executives with commercial backgrounds to lead the reform process. Most of these CEOs had either been working in the private sector or had undertaken similar restructuring exercises in other industries. The culture prevalent in the industry before the reforms was predominantly a public service culture, which was not commercially oriented. The
new chief executives were brought in to change this culture and to help make the industry more commercial. The changes undertaken in the various organisations within the industry were greatly influenced by the CEOs, and this was repeatedly reiterated to me during the interviews I conducted.

_They must come with the right skills. It is always a balance as to whether the person comes with knowledge in the industry and background or whether he comes in with a whole lot of experience in management from other areas. But clearly the chief executives that have come from outside the industry have clearly changed it and there is no doubt that the overall change in the industry is for the good._

The CEOs, with the approval of their boards, quickly developed new organisational structures and proceeded to appoint people to fill these positions. Some companies were more radical than others and declared all positions vacant and requested everyone to apply for a new job in the organisation. Other organisations were "less revolutionary" and appointed new and existing staff to the available positions in the companies. In all cases those staff who failed to win jobs in the new organisations were made redundant.

The ideology behind the corporatisation process was to introduce private sector practices in the public sector. This process required new ways of thinking and new mindsets in the organisations. Most of the companies had an entrenched inefficient public service culture. Most organisations found it necessary to look outside their traditional boundaries for the required expertise to go with the new ideological change in the new organisations. A major feature that characterised the change in the New Zealand electricity industry was that most companies brought in outsiders who had had no previous experience in the electricity industry to help implement the reforms.
Most of the senior management teams were appointed from outside the organisations and outside the electricity industry. The driving force behind the appointments was competence. These appointments brought in a new lease of life for the organisations as;

\[
\text{it got rid of the people who were holding the company back. Generally people had been here a long time, and there were ways of doing things. Now if you break that mould and re-energise it and get new people in, then it is a totally different ball game.}
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The new executives brought in new skills which were necessary in the new environment that the companies were expected to operate in and which were previously absent in the organisations. An outsider who was brought into one of the electricity organisations explained that:

\[
\text{It was important to change the people at the top and to get in new blood. We had some key appointments from outside. We obviously had to have a treasurer who understood the international borrowing market. We had to have somebody like me, who understood how companies work. I had been a finance director in the private sector and managing director of an investment company and we had a very good industrial relations man as well. Without people like those, you could not have done it. It is critical bringing in the right people from outside, the chairman and chief executive are the most critical of all. The chairman has to come from outside, you can't have politicians on the board. I believe firmly that you've got to bring in the outsiders to do it.}
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As well as the much-needed expertise, outsiders were brought in to help change the culture and bring in fresh ideas that enabled the companies to do things differently from the past.

\[
\text{The management was extremely switched on, used to competition and understood how to operate in that environment, not necessarily though}
\]
out of the industry, like our trading director came out of the finance industry.

The new people have been brought in because they want a blend of the old and the new so that the new people challenge the old and bring in fresh skills.

The changes, however, were not all about bringing in outsiders. Some organisations promoted from positions within the organisations, which prior to the change were three or four layers down the structure. One CEO described the new philosophy thus:

*I wasn’t set on getting outsiders. I was set on getting managers who understood what we were doing and could do it. It was about getting the right mindset and the right talents. Some came from inside and some came from outside.*

4.5.3 Selection

The methods of staff selection used varied widely from company to company. Some completely re-advertised all positions, whereas others recruited the key skills from outside as well as inside the organisation, without making everybody apply for a new job. Every person was considered on his/her merit and no preferences were given to outsiders or insiders. In internal appointments, it wasn’t the longest serving person who was given the job, but rather the most deserving person. Issues such as the competence and integrity of the employee as well as their communication abilities were taken into consideration when internal appointments were made. External appointments were more difficult and most companies took more time in making the appropriate selection.

*It is quite high risk hiring somebody from outside the company. Easy to get it wrong, easy for somebody to have a problem that you can’t find out about beforehand and then very hard to get rid of them. If you want*
to do it in a humane way, it takes time. You have to give them warnings and you've got to see if they can measure up.

4.5.4 Downsizing

The implementation of change in the industry resulted in a significant number of people being made redundant.

You have to essentially figure out how much work is being done, how much work has to be done and the people required to do that job, and you then have to take away all the other people.

All organisations embarked upon identifying processes that were essential to operate the new businesses. All processes that were considered not essential for the new environment were done away with. The staff involved in processes that were done away with were either reassigned to other processes that they had the skill and competence for, or they were laid off. Redundancies were also carried out to stem out resistance to change as not everybody agreed with the new culture that change leaders were trying to instil in the organisations.

I think the staff that didn't want to change, they were at all levels from the lowest to even the management team and that was overcome by those people no longer being with us.

The reforms included changes to the organisational structures of the companies. Most companies prior to the reforms had pyramidal organisational structures. However, the new environment demanded swift action and making people more accountable for their actions. To achieve this the pyramidal structures were reduced to flatter structures and many jobs were lost as a result. The changes in the electricity industry
resulted in the workforce being reduced from 15,000 employees in 1987, to fewer than 3,000 employees in 1997. One manager described it thus:

_Downsizing has been continuous. There have been very big blocks, but the reality is that every week the company is making people redundant. It is just a part of a continuing process._

The initial downsizing exercises were poorly handled. In most cases workers turned up for work only to be told that they no longer had jobs in the companies. As the reforms progressed, more humane downsizing practices were employed as most companies put in place exit strategies to deal with redundancies. Outside specialists and consultants were recruited to help staff deal with depression, anger management, stress, and other related problems that arise when a person is made redundant. According to a CEO in the industry:

_The only way to reorganise is to be very fair about how you do it, because some people are going to get disadvantaged and then when they are disadvantaged, you should be very careful how you handle it. You've got to give them a lot of consideration, you've got to treat them honestly and you've got to pay them out fairly._

The later reforms in the industry were characterised by the development of communication mechanisms between management and employees to let them know about management plans, the economic environment and how it could affect employees. This was very useful in letting employees know, ahead of time, any possible job losses that might be forthcoming and it also helped them to devise strategies ahead of time to cope with such eventualities.

_We've also had very open information systems. We've told everybody what's going on all the time and why, so people are ready for the_
change and they are expecting the change. They can see the logic of it. We try to explain to them why it is that the changes are being made and the route by which they are being taken (that is to say the splitting of line and energy business is just a typical example where we explain why it is that the government is trying to separate the line and energy business and what they hope to get out of it). So we try to operate, in a time like this, a very open kind of communication system where we can educate people of what the new climate is all about. I think it is quite valuable, indeed, having open communication systems.

A CEO in the industry summed up the manner in which he felt the issue of change, downsizing and communication should be handled when going through a change process:

*I think mainly through communication, talking to them, trying to keep them on board, trying to treat people with dignity even though they might lose their jobs, trying to help them all you can in finding other jobs and giving them support when it is still going on. Hopefully trying to get them to see that it wasn’t necessarily just us doing it for our own ego trips, but it is for the benefit of the company overall and for the country.*

4.5.5 Leadership of Change

Most of the changes to improve economic efficiency within the companies in the industry were internally generated. The directors who were responsible for policy and the managers who carried out the implementation of policy worked closely together and devised operational strategy to meet the demands of the commercial environment in which they operated. Most organisations, at one point or another during the change process, made use of outside consultants to help them change; however larger companies made more use of consultants than smaller companies, due to the high costs involved in sourcing consulting services. According to one manager in the industry:

*The changes have been internally driven. We have had no high powered consultants or anything like that. In fact one of the things that*
I mentioned is that the industry has very good people, there's absolutely no question about that. The people in the industry are more than capable of doing the job themselves. The outcomes that you see are almost entirely derived from people's ideas inside the company.

The driving forces of change in most of the companies were the CEOs. Most of the CEOs were sourced from outside the industry, they had extensive commercial experience and some had undertaken similar change initiatives in other industries. They led from the front and exhibited valuable leadership skills and vision. One CEO described his style thus:

My style is to establish the sense of direction, the vision and the direction, get the right people, give them the power to do it, but monitor them closely. I make sure I try to create an environment where they get as much help as they can to deliver the results.

The CEOs were not the only driving force behind the changes. The senior management team, who in almost all cases were new, assisted the CEOs and together they formed dynamic forces for change. There was a repeated emphasis on teamwork between the CEOs and the senior management teams and between individual members of the senior management teams. Programmes were developed to facilitate teamwork, to prevent barriers building up within the teams, and to ensure that team members were able to operate effectively with each other. The teams set up were required to communicate frequently with one another so that every one was aware of what was going on in the organisations. The autocratic hierarchical approach that was predominant in the old organisations became a thing of the past and consultative approaches were adopted among the senior management teams with emphasis placed on team play, team behaviour and team support. One executive in the industry described this new work ethos thus:
Another thing we did was to put the executive team in one row, so we are all actually together here. Previously we were on different floors of the organisation. We have easy access and, as executives, we see each other a lot more often than we see our staff.

The executive teams, CEO included, developed clear values, clear vision and adopted business planning processes and tightly defined budgetary processes for the companies in the industry. The whole strategy was about knowing what the task ahead was and going out and doing exactly that.

Focused, it is that simple. We have core strategy, we stick to core strategy and we are extracting value from core strategy. We have the ability to modify core strategy, and there has been little modification of core strategy. We have the ability to make decisions around core strategy, but in the end, the strength of this organisation comes from being focused. We are not distracted, we don't have to be distracted, we don't have to do stuff that does not contribute towards core strategy.

4.5.6 Performance Management

Performance management systems were introduced in all companies as a means to motivate employees and give them the right incentives to perform, so that the desired objectives, as set in the business plans, could be attained.

We have a performance management system whereby people have very clear objectives and they are embodied in the performance agreement. Those objectives must be measurable and achievable and are done in such a way that they fit in with the overall framework of the company. So what we do is we set the strategy of the company and the high level objectives of the company and then, within that, the objectives of individuals, their personal contributions is set.

The freeing up of labour rules made it possible for remuneration packages to be substantially increased from the salary packages available under government (central
and local) departmental days. The introduction of the Employment Contracts Act 1991 gave employees the choice of either having individual or collective employment contracts. Most employees in the industry opted for individual contracts. Employees also opted for performance based remuneration systems, which resulted in more focus being placed on performance and outcomes. Performance pay in the industry was made up of a base salary and a component of that base was additional reward for achieving the stipulated objectives. Performance based remuneration ensured that the objectives of "core strategy" were not lost and that people had a clearer focus. It was possible, with most companies, to earn up to 120% of base pay if the performance targets were surpassed. The performance management systems also introduced sanctions for underachievement, which were punishable by either non-payment of the performance component of the remuneration package or termination of employment.

Improved monitoring facilities were put in place to monitor performance against objectives. Adequate feedback systems were also put in place to provide employees with feedback on their performance in order to get the real changes and performance behaviour necessary to achieve the desired results. Employees responded well to the changes knowing fully well that they were going to be recognised and rewarded if they performed well. A manager described the feeling he perceived employees had in the new work environment:

_The hundred or so people we've got now, when they leave here at the end of the day and go home they say 'yes I did a reasonably good job today'. Whereas prior to the change, they'll go home and say, 'what happened today, where were we?'_
4.6 Roadblocks of Change

Large-scale change in any industry or organisation is always fraught with problems, and the electricity industry was no exception. The changes in the industry, from public sector government department to a private sector model, were largely ideological and this created problems.

*I think that the benefits were not sufficiently proven, that some of the changes have been a bit of an article of faith rather than a proven analysis of the benefits, that's the first thing.*

4.6.1 Interest Group Resistance

One of the problems faced by the industry in bringing about change is what could be termed as "interest group resistance", with the various interest groups who have a stake in the industry trying to protect their group/sector/interest. The electricity industry is made up of a supply side and a demand side, with both sides having both competitive and natural monopoly sectors. Both sides acknowledged that the industry was inefficient, but they were constantly making accusations that the other side was responsible for the inefficiencies, which were partly responsible for the high prices paid for electricity by consumers.

*What actually happened in the industry was that the distribution supply companies told the government everything that was wrong with the generation side and the generation side attacked the distribution companies.*

ECNZ believed that the problems in the industry, especially the high prices consumers had to pay for electricity, were caused by the monopoly rents charged by the distributors. They buttressed their arguments by noting that the real prices of electricity at the wholesale level had fallen since corporatisation, and that the
distributors were capturing the gains realised from corporatisation. The distributors, on the other hand, felt that the reason for the high prices was the fact that there was insufficient competition in the wholesale market as ECNZ occupied a dominant position in the generation market. The number of players on the demand side of the industry was quite high and each argued for its own advantage, which understandably, in most cases, was against the ideology guiding the reform programme, as distributors were well aware of the huge gains that could be derived from vertical integration.

*If you're already in a monopoly situation and you're collecting monopoly rents, then the incentives to improve efficiency are quite low and so that's why the companies did not have a big incentive to change, they were already a bit protected.*

On the supply side, ECNZ opposed the separation of Transpower, the split of Contact Energy, and later on the further split of ECNZ into three new SOEs. The reason cited was that the generation and transmission of electricity involved technical complexities and, with a break-up, the possibility existed for a loss in system co-ordination, and eventually security of supply could not be guaranteed in the industry. An inside source however, felt that the reasons adduced to by ECNZ were feeble and it was an issue of size and profitability rather than co-ordination and security of supply:

*Well, would you rather be a senior manager in a company that makes $500 million or one that makes $150 million? It's a fairly easy choice, we were a big company and we didn't want to let it go.*

Resistance to change in the industry also came from the engineering profession. Prior to the reforms the engineers, "who believed that capital was a free good supplied by the taxpayer", dominated the industry. In line with this trend of thought, the engineers were more concerned with technical prowess and excellence. During the years that
they were in charge, they built up a lot of technical ground breaking projects and this partly contributed to the excess capacity that the industry had at the time of corporatisation. The new ideology was to treat electricity as a business as a result of which the engineers' dominance in the industry was threatened. Not wanting to lose this dominance, the engineers vigourously opposed the reforms. Opposition from the engineers and their unions had more to do with their self-interest than with the technical complexities that they were putting forward as reasons why the reforms must not be allowed to progress. A senior manager, who is a not an engineer, in the industry had this to say about the domination by engineers:

_The domination by engineers didn't give it a right focus. It was not deliberate on the part of those technical engineering people, it was just the way it was and the way it had been for decades, if you like. I think that was probably a barrier to change till they broke through that. They might not see it that way, but that's how I see it._

Prior to the reforms, the unions were consulted over a lot of issues and their approval was essential before important decisions could be made. One of the senior managers in the government departmental days noted that the power of the unions prior to the reforms could be comparable to the power that was vested in the boards of directors after the reforms. Due to the potential loss of power and influence, the unions also opposed change in the electricity sector.

_Each of the parties in the value chain have their own objectives, whether you're a board accountable to a trust or a board accountable to shareholders or a board accountable to a government. So conflicting or non-aligned objectives is a significant issue when you are trying to change something._
4.6.2 Political Problems

Politics had always played a part in the industry and politics also played a part in the changes. The politics associated with the industry was complex, embedded, and parochial. Difficulties were encountered with politicians who dealt with reform both at the national and the local level. The industry was, and is still (although this is changing) heavily influenced by politics as each local power company had “their own little pack of local politicians who regarded it as their own patch”, making microeconomic reform particularly difficult. Political ownership at all levels was unhealthy because politicians were known to have disrupted the commercial objectives of the companies. Political ownership was largely responsible for the cross-subsidisation at the local level as voters got cheaper power than was actually justifiable. SOEs were also not allowed to increase their prices arbitrarily. A proposed price increase by ECNZ in 1991 was met with disapproval from the government.

The political problems at the national level were mainly due to government indecision. The political term of government in New Zealand is only three years, which is not long enough for a government to make meaningful changes in any industry. The former government (National government 1990-1999) had only a slim majority in parliament for two of the three terms it was in office (1993-1999) and found it very difficult to legislate to bring about changes in the industry after 1993. The shift to an MMP system of government in 1996 further compounded the problems, as the efficiency objectives became clouded by political survival. The coalition agreement of 1996 strictly prohibited, among other things, the privatisation of electricity assets. Lack of continuity affected the industry because several politicians had, at one time or
the other, responsibility for electricity reform. Each politician came in with his own agenda and this hampered the overall reform process.

Industry managers have seen the continued government ownership of major parts of the electricity industry as a barrier to achieving economic efficiency. Most participants in the industry, as well as the right wing political parties (the Act party in particular), believe that there is no need for government ownership in the industry and advocate for the full privatisation (complete reallocation of property rights) of the industry, albeit with some regulation for the natural monopoly sectors. Due to the fact that electricity is an essential service, the government has been reluctant to sell electricity assets, for political rather than economic reasons. Government involvement in the industry has slowed down the reform considerably and this has resulted in some inefficiencies still remaining in the industry.

If you are going on a trajectory and suddenly the government's got cold feet and the speed of change slows and there is an election and new policy, you might actually - if you plotted the reform process in the time period we're talking, - there would be periods of even going backwards.

4.6.3 Speed of Change

The rate at which change has occurred in the electricity industry in New Zealand has been relatively slow, especially when compared with similar changes in other industries that were once government controlled. Electricity, however, is quite complex and this might have accounted for the slow rate of reform. The extremely slow rate of change was a great concern to many industry participants.
All the things that are happening now were known as needed in 1989 when the Task Force report was published. So there is nothing new happening now that was not planned, discussed, analysed, and organised in 1989. The difficulty has been getting the politicians in line to actually do it.

The political problems already discussed above slowed down the reforms. There was a lack of political will on the side of the government, which resulted in the changes being very drawn out and very lengthy. They involved a lot of argument and a lot of debate and one manager noted that “the business of spending three years debating legislation is bad for business, bad for staff”. The industry was also slow in responding to the various reforms, partly due to their self-interested nature as well as being uncertain about government’s plans and the outcomes of the reforms. The debates within the various organisations making up the industry were a source of distraction for the companies involved and diverted them from thinking about industry wide strategies, as well as internal strategies for improving efficiency. Managers in the industry noted that this was a source of distraction as “there was a lot of wasting of time, we talked and talked and nothing happened”.

Surprisingly though, the industry responded faster than was anticipated to the decision by government to separate lines businesses from energy retailing, probably due to the significant privatisation and reallocation of property rights that went with separation.

What’s happening with the energy trading over a couple of weeks, months until the legislation came out this year, it was happening but it took five years. Actually we’ve achieved more in the last few months than we did in the whole of the past five years in terms of rationalising energy trading.
The slow rate of reform gave people the perception that the entire reform programme had been a failure. This was due to the fact that the reforms in the industry had been piecemeal in nature, and most of the full benefits of the reform programme would only be evident to the consumer after all the reform stages were completed. It was a widely held belief in the industry that the government should have acted more decisively in 1992, when it corporatised the demand side of the industry. Corporatisation, most industry participants argued, should have been accompanied by the split of generators and distributors. The slow rate of change and the indecision of government also affected the industry, because it gave the opposition and the interest groups enough time to organise themselves to stall and disrupt the reform programme.

4.6.4 Staffing Problems

The slow rate of reform caused a lot of staffing problems within the industry as it raised employee anxiety.

The worst thing is that if you leave people hanging around for years waiting for something to happen, not knowing what was going to happen, everybody seems to think its fine, but long term it is actually very disruptive. It could turn people off. They don’t really focus on what they should be doing.

You destroy people when they know that their jobs are under threat and when they see a sword hanging over them for a year or two years or something like that. They can’t make long term plans for their lives and they just wonder what’s going to happen.

The changes in the electricity industry had a huge impact on people’s lives as they were accompanied by significant downsizing. The industry shrunk from around 15,000 employees to fewer than 3,000 employees in twelve years. Not all of the changes were trouble-free; the corporatisation of ECNZ was received with protests,
accompanied by industrial action by the electricity workers and engineers’ unions. The workers “switched off the lights twice” in protest against the poor handling of redundancies in the industry.

*The very first one was terrible. Basically my boss came out and addressed my staff, about forty staff or fifty staff, and said, ‘Right in two weeks time half of you are redundant’. That was pretty bad.*

Poorly handled redundancies affected staff morale in the industry. Low staff morale was transferred to the job and stress levels increased, productivity dropped, accidents increased and safety became an issue of concern.

*Because of the massive reduction in numbers, I think it put a lot of pressure on people in terms of quantity of work and what they had to achieve. It tested people and sometimes it just tested them a little bit too far in terms of the pressures on them.*

Most of the electricity companies adopted an outsourcing strategy to reduce costs and overheads within the various companies. A lot of work was contracted outside the organisations, reducing the amount of work carried out within the organisation. This was a source of concern for employees, as it also led to redundancies.

*If you give work away to other people, then your own people don’t have it and you have to shed staff because you’ve given work away. It is not popular, a lot of tension there. Flatter management structure reduces opportunities for career advancement and is perceived by some employees as a loss of power.*

The influx of “outsiders” into the industry was another source of staffing problems. Staff retained in the industry were jealous of outsiders filling all the top positions in
the companies. They felt that the outsiders had very little understanding of electrical systems and were too business focused.

You've got a lot of people coming into an industry they don't understand. I talked to Meridian Energy yesterday: they are bringing in all new people at the senior level. There is only one person there that understands about the electricity industry, the chief executive does, but they are green, they'll try a lot of new things and they'll complain a lot and good luck to them with the new things. They'll also get their nose bloodied a lot as the people coming in are fly-boys that know all about selling bloody popcorn or selling something, they are really good salesmen, they are good at their trade, but they don't understand electricity, so it will be fun and games.

Some of the staff retained by the companies were very unfamiliar with the new concepts and had problems understanding commercial operations. This was especially typical of the engineers, who had dominated the industry prior to the reforms.

They were bright but they were in a little world of their own. They were naive in terms of what the world was doing around them, the risks that they were facing. They were only thinking in technical terms as that was their only frame of reference. They didn't realise that they as engineers, they could learn to manage and read the balance sheet and operating report just like anyone else; just like an accountant could come to understand some of the technical stuff in the industry.

The redundancy packages awarded were very generous and, where voluntary retirement schemes were in place, they precipitated the loss of institutional memory as a few good people in the industry opted for the financial packages on offer and left. Some organisations had to spend a lot of money to entice such individuals to stay on and not take voluntary redundancy.
4.7 **Outcomes of Change**

The reforms undertaken in the New Zealand electricity industry led to a number of favourable, and a few unfavourable, outcomes.

4.7.1 **Investments**

The overall aim of the reforms was to increase the efficiency of the industry. In most cases, the outcomes have shown that there have been substantial increases in economic efficiency in the electricity industry. Major efficiency gains were observed in the area of new investment. Pre-reform, the investment decisions had been centrally controlled by government and a lot of problems were encountered ranging from brownouts and blackouts to poor investment decisions, such as the Clyde Dam project. As a result of the reforms, economic signals were now being received from the NZEM on when and where to build new generation. Transpower shelved plans to extend the HVDC line from Wellington to Hamilton, and Contact Energy abandoned plans to build another dam on the Clutha River in the South Island and instead built a combined cycle gas turbine plant at Otahuhu in the North Island. Price signals were being received from the market to help avoid electricity shortages in periods of drought, as the New Zealand electricity system is largely dependent on hydro plants for electricity generation. The move towards further privatisation in the industry with the reallocation of property rights to the private sector has moved the risks involved in capital investments from the taxpayers to the private sector, and investments have become more commercially sound.

*Now today, nobody will, in a competitive market, put equity capital in, if they believe that they are not going to get at least a commercial return on it. So that's a very beneficial thing, particularly if the*
The reforms resulted in more efficient pricing in the industry. Prices charged prior to the reforms did not reflect the true cost of production and delivery of electricity. Inefficient pricing was reflected through the cross-subsidisation that was practised on the demand side. The current prices in the industry have been more responsive to supply and demand than they have historically been due to the presence of the NZEM and competition.

The separation of line and energy and the increasing competition in the industry resulting from the split of ECNZ have, however, resulted in substantial price increases contrary to what was expected from this stage of the reform process. Line companies have all increased their charges, which retailers have had to pass on to the end consumer. Retailers have also increased their prices by adding a fixed charged to consumer electricity bills and changing the way consumption is charged disadvantaging consumers who do not use a lot of electricity. The increase in the price of electricity is mainly due to the absence of specific regulation in the electricity industry. Regulation in the electricity industry in New Zealand is deficient as it is based on a light-handed approach that does not cater for the complexity associated with the electricity industry. There is talk within political circles of regulating the lines businesses, but the political balance in parliament has prevented this from being achieved. Different political parties have a different idea on how the industry should be handled and the coalition government does not have sufficient support within its
ranks as well as among the other parties in parliament to pass through regulatory legislation.

4.7.3 Productivity

Staff levels in the industry have dropped from 15,000 employees to fewer than 3,000 employees. New technology has been introduced into the industry and most work processes are now automated and remotely controlled. This technology has resulted in the displacement and retrenchment of staff. As a result of the lower staff levels, the productivity levels in the industry have gone up significantly. The availability in terms of generators has also gone up and the same generation assets now produce more electricity, increasing the technical efficiency of the industry. The water in the hydro systems is now being more effectively used as commercial values have been placed on the water in lakes. The annual reports of the various companies have all shown the productivity gains that have been achieved in the industry.

4.7.4 Costs

Cost savings have been realised through the elimination of wastage, the lower staff numbers employed and the outsourcing that was introduced into most companies. Outsourcing took away the need to keep on staff when they were not actually needed. The introduction of competition led to further cost cutting exercises as strategies were employed to make the businesses more competitive and win over customers. Mergers and acquisitions in the industry were another source of cost savings as the bigger companies were able to work with increasing economies of scale.
4.7.5 Cultural Change

The industry became much more commercially focused as a result of the reforms. Every company was driving for a greater commercial return and was less concerned with looking after the public good, which was the predominant culture prior to the reforms. This change in culture resulted in most companies acting in their own self-interest because of the presence of competition:

There is no comparison, it is just a complete reversal of culture. The previous one was one of government servant whereby now it is entirely a commercial industry focused on delivering a quality product to the consumer, whereas the old government service days it was actually keeping the minister happy.

In the old days it was possible to directly negotiate that Joe Bloggs has got this problem and why don't you, who is near, do something about it. It was possible to do that, but now there is no motivation to do so.

The culture within the industry has gradually changed and become more accepting of change as a result of the numerous reforms that the industry has gone through. People no longer have the impression that their jobs are predestined for life. The attitude, which is now understood by employees, is "unless you are adding value, you probably won't survive". This new attitude has affected employee loyalty and employees will move from one job to another if they have better offers within the industry or outside.

The increased commercialisation of the industry resulted in most participants in the industry becoming very proactive, more flexible and more responsive to customer needs. This resulted in companies moving towards a culture that became more tolerant of openness and trust and one that recognised and rewarded people according to merit and achievement. The new commercialised culture encouraged more
delegation to be pushed downwards in the various companies and frontline people were made to take ownership of their decisions.

*It used to be a dictatorial type of management culture where the general manager, what the general manager said, wanted, was done. He even used to sign the cheques, every cheque that went out in our company, (there where 360 employees here) the general manager used to sign the cheques. Now it is three or four managers down that sign the cheques. You just put that philosophy right throughout the management team and that is your answer. We have delegation that we didn’t use to have. The buzzword is collective responsibility, but I think it is more a buzzword than reality. We are, however, some way towards it, and that has contributed immensely towards the change. We wouldn’t have got where we are without these.*

The changes saw the elimination of little private kingdoms, or fiefdoms, as the competition moved outside rather than within the organisation and everyone had to become focused to defeat the enemy. Emphasis was placed on teamwork in order to meet the demands of the changing environment brought about by competition.

The changes resulted in increased profitability for all players in the industry. The annual reports showed that the companies were all making acceptable commercial returns on their assets and capital employed.

*So instead of the government having to put money into it each year, which it had been doing for many years, and instead of not paying any taxes and not paying any dividends, we started to both earn proper profits and we paid taxes and we paid interest on our capital.*

One of the unfavourable outcomes of the reform programme in the New Zealand electricity industry was the large number of redundancies that resulted from the cost cutting exercises carried out. The resulting unemployment had a more profound effect
on small communities, and led to social problems and anti-social behaviour, especially in small rural communities.

What we've got to recognise is that although I certainly believe that it is in the best interest of the NZ economy what's going on, in terms of the local community there's a lot of, obviously a lot of, downside, more unemployment. Efficiency does not always remove that problem; it often encourages it. So there's the whole restructuring, the costs of restructuring within the local community, which is ongoing. And in particular redundancy, in some areas of NZ it will be a significant cost to the community.

4.8 Summary

The changes that have taken place in the electricity industry in New Zealand have been categorised under corporatisation, deregulation and ownership changes. Different strategies have been used in the different stages to achieve the desired objective, which in every stage was the drive to obtain greater efficiencies in the industry. The changes were carried out with the hope that improved efficiency in the industry would in the long run lead to the lowering of prices for consumers. The industry has indeed benefited from increased efficiencies, however, these have not translated into lower prices as prices in the demand side of the industry have all risen since the reforms.

The introduction of private sector practices brought about change in the industry as a culture of commercialisation was adopted. Changes were made to pricing models whereby these became more responsive to the supply and demand for electricity, and the cross-subsidisation which was historically prevalent in the industry was reduced. Competition in the industry was achieved through separating out the competitive from the non-competitive sectors of the industry. Competition was partly responsible for
bringing down prices (in real terms) on the supply side of the industry and for making investment decisions more efficient. These reductions of prices on the supply side have however, not been passed on to consumers.

Most of the change managers responsible for implementing the changes carried out were recruited from outside the industry. The boards and senior management of the companies worked together as a team and were made up of people with private sector and commercial experience, as the expertise needed in the new environment was not internally available in the companies previous to the reforms. The selection criteria used were based on the needs of the organisations. The new, as well as old, appointees were appointed on merit and the criteria used was based on competence and integrity and not on seniority or length of service. Staff who were no longer needed in the companies, or those who opposed the changes that were being introduced, were made redundant. Performance based remuneration systems were introduced and these induced employees to perform better.

The rate of reform, however, was very slow, creating a lot of anxiety along the way. This slow rate resulted in employee disillusionment and also served to build up opposition to the changes.

The reforms have resulted in all sectors of the industry becoming profitable. The price of electricity at the wholesale level has been reduced in real terms, productivity has increased and a lot of cost savings have resulted. The changes have resulted in a culture that has become commercialised, moving employees’ mindsets away from the
civil service mindset, which embodies inefficiency. Employees are now responsible for themselves, as accountability has been pushed right down to the frontline.

This chapter has described the changes in the New Zealand electricity industry. The next chapter describes the changes that have occurred in the Gambian electricity industry.
Chapter 5

The Story of Change in the Gambian Electricity Industry

5.1 Introduction

The importance of electricity as an engine for economic and industrial development was recognised by the Gambian authorities soon after The Gambia gained its independence from Britain in 1965. The authorities in The Gambia also realised that in order to develop and improve the living standards of its citizens, an adequate and reliable supply of electricity must be provided. The electricity industry in The Gambia historically developed as a vertically integrated industry due to the small size of the country and the small size of the electricity industry. The electricity sector also developed as part of a wider utility organisation, which included the provision and distribution of water and the disposal of sewerage.

The production of electricity in The Gambia could only be achieved through thermal means because of the geographic landscape of the country. The country is completely flat and there are no mountains that could facilitate the damming of the main river that runs through the entire length of the country. Being devoid of any natural resource, all fuel for generation purposes must be imported. The worldwide economic decline and the oil crises of the seventies had a heavy toll on the Gambian economy in general and the electricity industry in particular. The electricity industry was underperforming and could not supply enough electricity to meet the demand. This gave rise to regular and frequent blackouts. An economy wide reform programme was instituted with the help of the World Bank and the IMF, and the electricity industry was one of the industries to be reformed. The industry has over the years
undergone several reform programmes and these have been categorised under various eras in this chapter. The changes have largely been institutional changes, some of which were prescribed by legislation.

The chapter starts out by discussing the background of electricity generation and distribution in The Gambia and then the main eras of change are discussed. Four distinct eras of change have been identified and for each era, the changes, the manner of implementation, the problems encountered and the outcomes of the change programme are discussed. The chapter also outlines the critical role that donor agencies, in particular the World Bank and the IMF, played in bringing about change in The Gambia. The role of the government and politics in the change process is also discussed.

The story of change in The Gambia has been captured by mainly using the quotations from the interviews conducted, using the same style of reporting as in chapter four. A timeline of the changes in the Gambian electricity industry has been included for ease of reference in Table 5 overleaf.

5.2 Background

The Gambia is one of Africa's smallest countries occupying an area of 11,000 square kilometres and situated on the West Coast of Africa. It was a colony of Great Britain until 1965 when it attained its independence. Being a small country devoid of natural resources, the introduction of electricity happened relatively late, mainly because The Gambia was of no economic benefit to its colonial masters. Electricity was introduced in 1925 and was confined to the capital Banjul. Initially the production
and distribution of electricity was only meant for the colonial offices and the residences of the colonial administrators.

**Table 5 Timeline of Change in Electricity Industry in The Gambia**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>Introduction of Electricity in The Gambia</td>
</tr>
<tr>
<td>1965</td>
<td>Attainment of Independence</td>
</tr>
<tr>
<td>1972</td>
<td>Establishment of GUC</td>
</tr>
<tr>
<td>1977</td>
<td>Explosion of generator</td>
</tr>
<tr>
<td>1982</td>
<td>German Co-operation Agreement</td>
</tr>
<tr>
<td>1987</td>
<td>End of German Co-operation</td>
</tr>
<tr>
<td>1988</td>
<td>Performance Contract signed</td>
</tr>
<tr>
<td>1989</td>
<td>Performance contract terminated</td>
</tr>
<tr>
<td>1989</td>
<td>Start of Finance Steering Committee supervision</td>
</tr>
<tr>
<td>1991</td>
<td>End of Finance Steering Committee supervision</td>
</tr>
<tr>
<td>1991</td>
<td>Appointment of Dawda Jawara as Managing Director (MD)</td>
</tr>
<tr>
<td></td>
<td>Explosion of generator</td>
</tr>
<tr>
<td>1993</td>
<td>Resignation of Dawda Jawara as MD</td>
</tr>
<tr>
<td></td>
<td>Management Leasing Agreement</td>
</tr>
<tr>
<td></td>
<td>Reduction of staffing levels by 30%</td>
</tr>
<tr>
<td></td>
<td>Explosion of generator</td>
</tr>
<tr>
<td>1994</td>
<td>Military Coup</td>
</tr>
<tr>
<td>1995</td>
<td>Termination of Lease Contract</td>
</tr>
<tr>
<td></td>
<td>Appointment of Batchi Baldeh as MD UHC</td>
</tr>
<tr>
<td></td>
<td>Management Support Contract with ESBI/Biwater</td>
</tr>
<tr>
<td>1996</td>
<td>Termination of Management Support Contract</td>
</tr>
<tr>
<td></td>
<td>Formation of Nawec</td>
</tr>
<tr>
<td>1997</td>
<td>Installation of additional capacity</td>
</tr>
<tr>
<td>1999</td>
<td>Termination of Batchi Baldeh as MD</td>
</tr>
<tr>
<td></td>
<td>Appointment of Sering Jobe as MD</td>
</tr>
<tr>
<td></td>
<td>Signing of BEECL agreement for 20MW</td>
</tr>
<tr>
<td></td>
<td>Signing of Bassam Agreement for 100MW</td>
</tr>
<tr>
<td></td>
<td>Leasing of Nawec to Bassam</td>
</tr>
<tr>
<td></td>
<td>Termination of Leasing Agreement with Bassam</td>
</tr>
</tbody>
</table>
Electricity generation and distribution came under the purview of the Director of Telephones and Telegraph. An electrical engineer was employed and his responsibilities included supervision of the generating plant, supervising the radio and telephone installations and being responsible for an ice plant that was for the use of the colonial administrators.

A study commissioned by the colonial government in the late forties recommended the expansion of electricity services. A new powerhouse was built in 1955 and additional equipment was purchased. The generating capacity was increased from 0.3MW in the old powerhouse to 1.8MW in the new. A separate department, the Electricity Department, was created to look after the generation and distribution of electricity. The population of Banjul in the late fifties was quite small and the Electricity Department had an excess supply of generating capacity and, as a result, the electricity services were expanded to cover nearby towns and villages. The management of the Electricity Department was the responsibility of the colonial administrators. There was strict discipline within the sector and Gambians were only involved at lower levels of management, the highest position of which was at foreman level in the powerhouse.

I must say that it was a very good system and there was a lot of discipline in the sector. We had white people as superintendents and these people were very powerful and the no nonsense type. They also had foremen who worked under them and they were responsible for the general workers. There was an established chain of command and it was forbidden for ordinary workers and labourers to talk to these white men. You had to go through the foremen and they were the link-pins between the superintendents and the workers. Any worker who breached this code of conduct was severely punished.

Decisions were solely taken by the white guys, but from time to time they will seek the suggestions from the foremen but this was rather the exception than the norm. It was generally a good period as we were all
enthusiastic, as we were working in a sector that was producing power to the people. Of course at that time, only few homes had electricity and so we were proud of being part of that. The foremen were also very powerful in those days unlike today’s engineers. This I think was because of the position they held in the colonial department as middlemen. The foremen could do a lot of things especially to the rank and file employees who were in awe of them because of their status.

Electricity consumption, before the attainment of independence, was low because the disposable income of the majority of Gambians was not sufficient to meet the costs associated with the consumption of electricity. After the attainment of independence in 1965, the government wanted to make electricity more widely accessible to the general population. However, the government still kept the same departmental structures inherited from the colonial era, which were not conducive to making electricity widely available. Central government controlled the budgeting, finance and human resources of the Electricity Department, and the department was treated as an ordinary department within government.

5.3 The GUC Era (1972 – 1993)

After independence in 1965, as more Gambians got jobs their economic status improved and as a consequence the demand for electricity increased. The government realised that an adequate and widely available supply of electricity could play an important role in helping it meet its developmental goals. In accordance with this realisation, in 1972 the government announced a major policy shift and the Electricity Department was merged with the Water Works Department through the GUC Act 1972 (a review of the GUC Act 1972 is given in Appendix One). A new organisation called the Gambia Utilities Corporation (GUC) was formed to cater for the utility needs of The Gambia. According to a former senior government official:
The rationale was to improve efficiency and economise on scarce resources to provide as much of these amenities as possible to as many people as possible. As you know we are a developing country and electricity and water were not as widely available as one could have wished and any amalgamation of water and electricity would be aimed at improving the efficiency so as to make it as widely available as possible.

This policy shift was implemented as a result of the advice received from external sources. Although independence had been attained, the Gambia was very largely dependent on British advice due to a dearth of adequate management capability to plan major policy initiatives.

Our principal donor at the time, which was the British government, had recommended that this was the best way to proceed at that time. It was agreed that a parastatal should handle it and government would reap the benefits

This policy shift was implemented because it was the belief at the time that:

The Gambia needed to adhere to the standards in other countries in the sub-region, and that was to become a parastatal. It was felt that this step will bring some amount of independence to the organisation and they will become semi-autonomous in a sense.

The establishment of the GUC was meant to introduce commercial concepts in the organisation to make the provisions of utility services more commercial and minimise the inefficiencies associated with services provided through government departments. The GUC Act 1972 stipulated that GUC was to operate under sound commercial lines and ensure a reasonable rate of return on the fair amount of capital it employed. Government was supposed to provide grants in the form of subventions for any non-commercial activity to be undertaken by the corporation for social and economic reasons.
5.3.1 Implementation of Change

The outcomes of the change process during the GUC era were dependent on the manner in which change was implemented.

5.3.1.1 Board of Directors

With the establishment of the GUC, a board of directors was constituted to govern the affairs of the corporation.

*It was supposed to operate with a board of directors that was supposed to govern the affairs of the company. The board was supposed to be answerable to the minister and no one else. The board was supposed to be responsible for policy matters.*

The various boards in the lifetime of the GUC were made up mainly of civil servants. The board members had limited commercial experience and expertise, and most of them had never before operated in commercial environments. The composition of the boards made provision for two people to represent the interests of industrial and domestic consumers. The shareholding minister made appointments to the board. Initially this was the Minister of Works, but later on responsibility for electricity was transferred from the Ministry of Works to the Ministry of Trade, Industry and Employment and subsequently the Minister of Trade became the shareholding Minister.

5.3.1.2 Selection

The appointment of the Managing Director (MD) was the prerogative of the President. The board was responsible for the appointment of people to serve in senior
management positions, whilst management was responsible for appointing lower level staff. The initial MDs of GUC were transferred from the civil service, because the government felt that the GUC needed seasoned administrators to bring about administrative stability in the organisation. Staff from the Electricity Department were given the option of either joining GUC or transferred to some other department within the government civil service. Most of the Electricity Department staff opted to join the GUC. The number of qualified people within the country before independence was small and the formation of GUC coincided with the return of the first Gambian engineers from overseas university studies. Most of the newly returned engineers were given middle management positions in the GUC.

The selection criteria used for recruiting additional staff to assist in expanding the services was based more on political and considerations such as nepotism rather than on competence, merit and experience. The selection criteria resulted in the corporation employing a lot of people with substandard qualifications as well as many illiterate and semi-literate people.

People were hired and put into the system without any prior knowledge of what electricity was.

Nepotism featured a lot in the selection process. Management, the board, the ministers all have people whom they favour and ask management to employ. Friends and relatives were brought into the organisation and most of these people did not have the necessary qualifications to warrant their employment.

The problem that GUC has is that the workforce is basically illiterate. I can give you an indication, in my section I had a staff of over 100 people and in the staff only about ten or twelve can read or write.
5.3.1.3 Training

The performance of the GUC management was unsatisfactory to government because of the continuous losses made by the corporation year after year and its inability to provide adequate electricity to consumers. The under-performance of the sector was partly attributed to a lack of adequate management capability and competence within the organisation. The government therefore sought external assistance from donor agencies and countries to assist in training staff of the GUC. In 1982 a co-operation agreement, which was to last for five years, was signed with the German government. A German team was put in place to manage the GUC and also to train senior Gambian managers of the corporation.

_I think the problem was that there were no qualified Gambians at the senior level. So it was recognised that this being deficient, it was necessary to sign a support contract whereby Gambians could be trained. The Germans were very forthcoming and I guess that was the reason why they were chosen._

_The Germans provided technical assistance with a view to revamping and reorganising the GUC. They had some Gambian counterparts in the top management positions._

The German management team brought in professionalism into the management of the company. They were able to work without interference from the government. A senior manager attributed this lack of interference from the government to the fact that the Germans were not directly answerable to the Gambian government.

_This German attitude enabled us to be able to carry on with the job, do the maintenance on schedule and time was taken to make sure that there was no extraordinary pressure put on us to complete the job._
The agreement with the Germans included a training component, which allowed some technical staff to be sent to Germany for technical training. At the end of the German contract, the counterpart of the German MD became the new MD of GUC.

After the Germans left, we had a Gambian MD and we also had a board of directors. Unfortunately Gambians were now responsible for our own affairs and the problems started again.

5.3.1.4 Performance Contract

The end of the German contract coincided with the period during which, as a result of a worldwide economic recession, the Gambian economy was undergoing severe strife. There was a scarcity of foreign exchange and basic commodities, and the government decided to seek assistance from the World Bank and the IMF to help stabilise the economy. The World Bank and the IMF initiated an Economic Recovery Programme (ERP) to deal with reform in the whole economy. Part of the ERP dealt with public enterprise reform for economic stabilisation.

Within the public enterprise reform, there was what was referred to as the performance contract system, which basically identified the strategic public enterprises, and these were subjected to the performance contract. The performance contract essentially entails clarifying the objectives between government and the enterprises and what the rules of the game should be in terms of accountability and transparency, delegation of management, management autonomy and putting some benchmarks as to what the operational results should be. The performance contract also outlined the terms of government obligations to the enterprises, such as making sure that they paid their bills and that they did not interfere in management.

The performance contracting system was part of the conditionality agreement between the Gambian government and the WB/IMF. In order to receive monetary assistance needed for economic stabilisation, the government had to comply with the
conditionality agreement. The performance contracts in The Gambia were signed between the operational directors, who were also executive directors, of the public enterprises and the government. The contracts were to be monitored by a government agency, the National Investment Board (NIB).

The performance contract was meant to encourage management to improve their performance in terms of the bottom line profitability, in terms of the productive use of resources, both labour and capital.

Prior to the signing of the performance contract in the GUC, the line managers in the GUC became board members, as the performance contract was between the government and executive directors of GUC. A one-year trial period for the performance contract was undertaken to break down resistance and to get the directors and managers on board.

We felt that if we brought the other managers on board who were not actively involved in the running of the organisations it would have more support. From our observations we knew were we had hope of making it work and which managers were competent and those incompetent to carry through the reforms.

Very little consultation was undertaken with the board and management of the GUC before the performance contract was introduced. The GUC board and management had no option but to comply with the directives of government, as it was an economy wide reform programme directed by the World Bank and IMF.

After the first year we realised that the GUC was in a very poor state and did not have the wherewithal to be subjected to the rigours of performance contract and it was cancelled.
With the termination of the performance contract the government introduced an external finance supervisory committee to monitor and approve all financial transactions in GUC.

*The government put the GUC under the supervision of a steering committee as well as the NIB. Things got so worse that the company could not even buy spare parts. The government told you when to buy fuel and when not to purchase spare parts.*

### 5.3.1.5 Management Style

GUC underwent several changes of management during its existence. The average term of a MD was around two years, and each MD brought in his own style of management. The management styles adopted by most of the managers were very similar to that experienced in the civil service in The Gambia due to the initial influence of the MDs who had come from the civil service.

*Well I feel that the culture sometimes typified that of time wasting and a lethargic attitude towards work. Some of the managers and senior officials didn't care at all, it was a government institution and what did they have to lose? Nothing! They came to work late and left early, it was a very disorganised attitude generally and this is what was translated right down the entire company.*

The management style of the MDs was very autocratic and this was a source of tension in management circles.

*There was very little consultation between the MD and his managers and certain views, which we held, were really not regarded at all or given any weight and the MD had the tendency to just overrule and do as he liked. It was very autocratic I must say, and a very arrogant style that did not allow for teamwork.*
In the early nineties there was yet another change in MD and the son of the President was appointed as the new MD. His style of management was different from the past and he encouraged participation and consultation within the senior management team.

From 1991-93 we had fortnightly management meetings which were unheard of prior to 1991 and this allowed the MD and the line managers to influence the decision making process. It also gave the opportunity to senior engineers like the station manager Kotu power station and the distribution manager to also be present when certain decisions were being taken, and also to air their views. There was cooperation between the engineers and the managers as a whole. This cooperation played a significant role. I remember during these meetings we used to decide which operations would require spending, we were a very capital intensive organisation and we spent a lot of money on gas oil and a lot of money was also spent on spare parts and these all had to be imported. Hence the purchasing aspect was very important because if the imports were not done on time and if there were no spare parts, it had a very negative impact on the company and the community at large. Because of the new "esprit de corps" we were able to prioritise our purchasing, and see that we had the spare parts when needed, and the meagre resources of the company were well taken care of.

The other thing that he tried to change was to give people responsibility because he felt that we had some very bright and competent people who were simply not being given responsibility. We had at the Kotu Power Station some very good managers and engineers there, but in the past they had never really been able to do anything and even if they needed a small item they had to go to headquarters. So things like giving people money within the budget and saying up to a certain limit you manage it and questions won't be asked, just get on with it and make sure that it works. He definitely did that, and said to us his colleagues, that we were the ones who knew how to do the job and he emphasised that his role was to support us.

The new MD brought in a new outlook for the corporation:

I think we as colleagues viewed him as somebody who wanted to do a job and very quickly we were able to build up a very good co-operative spirit within the organisation. He really focused on that because I think he felt that in the past that particular area had always been a problem. There was a lot of conflict in the organisation prior to his appointment, but he was able to really focus on that and give leadership on that and say, look we really must try to work together and I think he really
showed it by example. I think once people had confidence that he was genuine, and that he was not favouring anybody, and that he was going to lead them in a fair way, then he got the co-operation, and I have to say that the co-operation from us as colleagues was very good. I think the sort of language that was coming from the way we were, and the way people saw us working together, and the way we were talking about things, we were being a lot more positive, and that created a lot of public confidence as well.

5.3.1.6 Organisational Structure

GUC was made up of three divisions, the electricity division, the water division and the finance division. In 1981, a fourth division, the sewerage division, was added when the company started a sewerage disposal process. An engineer headed each division with the exception of the finance division, which had an accountant as director. The GUC structure was pyramidal in shape (see fig 3 overleaf) and the senior management team was mostly comprised of engineers.

That is how it should be. I am against the British way of doing things, as we had a British consultant who said that financial people should be in charge. It is an engineering concern and if the man does not have the management skills he could develop them whereas a financial person can never be an engineer.

5.3.1.7 Rewards

GUC's pay structure was a slightly improved version of the government pay structure, but was substantially less than what employees in other public enterprises were earning, due to the fact that it was a loss making entity. The government tightly controlled the salary structure and salary increments had to have the approval of the shareholding ministry and the President's office.
Figure 3 GUC Organisational Chart
There were no performance incentives for the staff; however, the performance contract system made provisions for the payment of bonuses to management if the performance targets were met. The performance targets set by the government were never achieved in GUC and as a result no bonuses were ever paid.

5.3.2 Problems Encountered

The implementation of change during the GUC era encountered many problems, amongst which were problems of planning, corruption, government interference and lack of adequate financial resources to undertake capacity expansions.

5.3.2.1 Planning

The implementation of the change programme in GUC lacked the coherent planning and analysis that was necessary for the implementation of a major policy shift. Adequate plans were needed, because of the long lead times that goes into power station construction, to meet the increased demand especially in a developing country. Plans were also needed to cater for expansion in the distribution network, as electricity was only available to less than 10% of the population. The lack of proper planning was one of the factors responsible for the acute capacity problem, which resulted in electricity not being available twenty-four hours a day. The absence of adequate electricity and poor planning was largely responsible for the absence of any major industrial activity in the country.

The problem here was that it was not planned and this posed a lot of problems and because government by virtue of the way in which the civil service operates, they applied the same principles to the industry, it was not compatible. As a result the industry began to run into very serious problems technically, financially and managerially.
The lack of planning was partly due to the poor calibre of staff available within the company. There was a dearth of adequate, competent and sufficiently trained manpower in the company.

Some of the management problems in GUC days were that people did not have the capacity to have a real understanding of the sector. People did not have specialised education in the sector, some of the people in management at the time were just people who came through the ladder and received very little skills training and were just elevated over the years to that position. But the real strategic management, long range planning, strategic planning, strategic implementation, staff development and things like that were lacking. The visionary thinking and visionary direction was lacking, as those people did not have the capacity.

5.3.2.2 Corruption

The levels of corruption at all levels of the company affected the performance of GUC. The culture of employees was also affected by the corruption in the company.

Corruption first got into the industry in the procurement area as suppliers started offering 10% for purchases and it became very profitable and rewarding to anybody involved in purchasing to buy from where they could get the best deal for their pockets. So corruption started and since then has been transferred to all levels of the company.

Corruption was also present in the selection process, and recruitment was carried out with very little regard for competence or qualifications. Merit and ability no longer became the determining criteria for appointments. Appointments to the company were rather based on connections and “whom you know rather than what you know”. The corruption involved in the selection process was partly responsible for the overstaffing of the company. By the late eighties there were over a thousand employees in the GUC.
Yes we were overstaffed, but the overstaffing was at the junior level and did not make much difference to the operations. Basically you have a job which can be done by three people but with GUC we had ten people and whilst the three would be working the others would be chatting.

The large employee numbers and the low employee wages fuelled more corruption in the company.

The junior ranks also took advantage of the fact that there was no efficient monitoring system and if they could give you an illegal connection and make a short-term gain they did. They didn’t realise that this was at the expense of everybody else because GUC could not get the full revenue due to them.

Corruption was not only restricted to GUC, it was endemic in the whole Gambian fabric and formed part of the culture. The GUC employees were just extending this cultural malaise to their company.

People out here take their salaries for granted, so even to make some of them do their jobs is difficult and sometimes they even ask you to bribe them.

5.3.2.3 Government & Political Interference

The board of GUC, being the governing body of the corporation, was responsible for policy. However, the board was never given the required autonomy to be able to guide the corporation.

Government has really been interfering in the affairs of the company. It directs what should be done and does not give the board or the management the necessary autonomy they need in order to advance the power industry.
The government was always involved in operational and investment decisions, which ordinarily should have been undertaken by the board and management.

The case of the Japanese engine was a case in point, it is rumoured that it caused a lot of uproar in cabinet. It later became known as the battle of generators, because there were different factions advocating for different generators because of what had transpired earlier under the tables, as it was rumoured. This generator was plagued with problems from the start and had to undergo several engine overhauls and eventually in the midst of one such overhaul it exploded. If such decisions had been left to the experts, the consequences might have been different. I am certain we would not have gone for that generator. In fact we had earlier advised them against it.

Political interference from both government and politicians affected management's ability to maintain discipline in the sector.

We had sometimes messengers who were more powerful than the MD because of their political connections. We also had people who did not turn up for work because they were party militants. So that was the type of politics and political interference that was in play in the sector and it affected the administration. Everybody was supposed to be equal but some were more equal than others. It was very difficult to get rid of them because your job is at stake if you got rid of them and so they were never got ridden off. Even the MD did not have the authority to sack people because the sacked person would go and see the minister and then the MD might end up being sacked and that attitude filtered down. It was a case of not who you were but whom you knew.

As I said we were running a public parastatal answerable to government and the retrenching of staff always had political connotations which the government had to be prepared for. We could not just retrench staff without letting the government know. We were only able to do so if the directive came from above, if we had it from the NIB or the cabinet, but we couldn't of our own volition, based on our management assessment of the situation, decide to retrench staff even if we knew that the termination of their services would have no impact whatsoever on the corporation at all.

The subvention that government promised to pay for unprofitable ventures undertaken by the corporation was never paid. Requests were always received, based on political
matters, for electricity to be provided to villages that had only a handful of people with the means to pay for electricity.

*Politicians are shortsighted and can only see as far as the next election and this is counterproductive. They would do anything that would ensure that they are returned after the next election.*

*For the politician the profit motive is not the driving force, they see it as a social service and they want it to be provided across the board irrespective of the means to pay or the need for electricity.*

Politics was also a source of distraction as the GUC management was unsure of who their real master was. Directives were always being received from various parties who had an interest in the sector.

*There were people outside government that were bypassing the minister and the board and going directly to management. Likewise we had people in cabinet and also the President bypassing the chain of authority and going direct to management and vice versa. This served to usurp power and in the end there was total chaos in the institution.*

The autocratic management style that was in place was a source of further chaos in GUC, as there were individual differences in the senior management team. These differences led to the formation of camps in GUC. The "camp culture" was a culture whereby allegiances within the organisation were divided and fiefdoms were created.

*People owed their allegiance to the individual managers rather than the organisation as a whole. They were prepared to do anything to enhance their standing in their camp and would do anything to destroy other camps.*

Most of the employees in the senior and middle management teams belonged to camps and owed their allegiance to the leader of their camp. The camp culture was developed as a result of the corrupt selection process as most of the proponents of the
camp culture had achieved their positions through their political and organisational connections rather than their competence or as a result of their qualifications.

The period during which GUC was under German management was a period which was relatively free from interference from government and politicians. However, nearer the end of the German contract the desire by members of the German team to stay on longer than was required of them made them vulnerable to external wishes and pressures to the extent that the autonomy they had was sometimes compromised. The Jawara (name of President’s son) management on the other hand was one of the few times in the history of the utility that political interference was absent.

*He could negate any moves made by ministers or government officials to influence the work of the company as you cannot be closer to the President than his son. It was the best chance for the corporation to redeem itself, because as the son of the President nobody would dare sabotage the operations, everybody will co-operate.*

5.3.2.4 Lack of Financial Resources

The GUC was formed with the desire to expand the provision of water and electricity to consumers in The Gambia. There was an expectation that this would foster industrial and economic development. Expansion in the electricity sector was to involve the acquisition of more generating capacity, and the expansion of both the transmission and distribution networks. GUC was undercapitalised from its formation, although in the early days the government was able to contract loans on its behalf. Corruption, government interference, the lack of commercial skills and the inadequate revenue collection methods employed led to the under-performance of the corporation. The corporation became riddled with debt, and with the declining economic situation in the country, the debt burden continued to burgeon.
It is also important to mention that the then GUC had been defaulting on all its loan repayments to the government and lending agencies. They were neither paying the interest nor the principal on these loans. It was a situation that could not continue and in the end we found it very difficult to contract any new debt.

Without the necessary finance the corporation was unable to invest in the capacity needed for expansion. A few years after the formation of the corporation, the supply could no longer keep up with the demand for electricity. GUC failed to make any major investments of its own and relied on donors to expand its asset base.

5.3.2.5 Resistance to Change

There was resistance from the technical staff of the two amalgamated departments when the first MDs were transferred from the civil service to bring administrative stability to GUC.

The staff were unhappy as they could not understand how an administrator could be taken to head such a technical department and that led to some problems of an industrial nature. Some people lost their jobs and this happened just around the time when the engine at Banjul was lost.

The introduction of performance measures into public enterprises was met with stiff resistance from the management of these enterprises. GUC and other parastatals got together and sent a delegation of MDs to the National Investment Board (NIB) to try to reverse the decision.

When we introduced the performance contract and we were moving things very fast and firmly, at one time in the NIB we received a delegation of MDs and practically they were threatening us with all kinds of awful things. We were not moved by that because we had
absolute support from the Office of the President. Maybe there is an element of once you want to take a certain course of action, people see their interest affected and they mobilise and then send relatives and all that to stop the action.

The resistance was from the end of the MDs even though the incentive system that was put in place to support the performance contract was very generous. They were opposed to that. It shows that maybe they were making more money.

We run into all these difficulties because we retain old people who are of that old mould, they are not forward thinking and they thought they had their kingdoms and they were being stopped by the NIB.

Some government ministers also felt threatened by the introduction of the performance contract and they opposed it.

It was also met with a lot of resistance from ministers, as they felt that their powers were being eroded. There was also opposition from the civil service as they were linked (the minister and the permanent secretary). So the resistance was very strong there, but we had the support of the World Bank and the President’s office.

To minimise interference from ministers, ultimate responsibility of public enterprises was transferred from ministers to the President. It was acknowledged that he had no time for that but it was purely done to cut off ministerial interference in the running of the parastatals, as ministers would be less likely to interfere in the affairs of the GUC when they knew that the President had ultimate responsibility.

5.3.3 Change Outcomes

During government departmental days, most of the employees in the Electricity Department were on a daily wage and were not entitled to any other benefits. With the formation of the GUC all the employees were made permanent staff and GUC made contributions to a medical scheme as well as a social security scheme.
The required investment in capacity expansion necessary to ensure that supply kept pace with demand was never available.

*From time to time the government received aid from donor countries such as Britain, Japan, Denmark and Germany and over time the generating system became a mixed bag of all kinds of machines. There was no coherent planning for investment, which would meet the rising demand for electricity in any systematic way, and there was a haphazard way of increasing capacity and of course that led to failure.*

GUC costs were high as thermal means of generation were employed. The main fuel used was diesel, which was inefficient for large-scale thermal generation. As The Gambia was devoid of mineral resources, all the fuel for electricity generation had to be imported, resulting in a high cost and consequently a high price for electricity. The tariff charged to consumers was not set using economic criteria, as management did not have the required expertise to do so.

*I don't think and remember any pricing model being developed in order to arrive at an economic or realistic pricing for electricity. We arrived at a price by looking at our expenses and looked at our revenue and arrived at a figure we thought we had to charge in order to keep on operating. So really we were just trying to break even.*

The tariff setting was also subject to political interference, as tariffs could not be changed without the consent of the government and parliament. The price never reflected the true cost of producing electricity. By the end of the GUC era the price of electricity was very high due to the high costs involved in fuel purchase as well as the inefficiencies within the system. The high staffing levels and the corruption in the industry also resulted in increased costs in the sector, which were reflected in the price.
The culture after the formation of GUC gradually became one of cronyism, one of jealousy and mistrust. It was one in which employees tried to acquire as much as possible in the shortest possible time. There was no co-operation between employees and everyone wanted to protect his or her job.

There was too much infighting and everybody was trying for a higher position and the only way they knew how, instead of performance, was to suck up to their bosses and those in power hoping that they will be well looked after.

This encouraged the growth and spread of the camp culture throughout the entire organisation and various camps were in place. Corruption blossomed under the conditions that were present in GUC.

It was very chaotic, people were doing whatever they liked. The financial management was bad as people were holding on to the revenue collected for days or weeks and there was no accountability. All monies were paid to the chief cashier who lumped all of them together, and there was no accountability. We found it very difficult to reconcile things.


The progress made by the GUC in the provision and expansion of electricity services was deemed to be unsatisfactory by government as well as the general public. There were constant blackouts and the quality of electricity received by consumers was poor. In some areas the brightness of a light bulb was dimmer than a candle due to very low voltage levels in those areas. GUC was faced with numerous problems; there was a shortage of the required spare parts for the generators leading to frequent breakdowns; they could not purchase fuel for the generators and sometimes the corporation ran into difficulties paying staff salaries at the end of the month. The utility sector eventually became a net drain on public finances. Such a situation was
undesirable as it prevented government from putting money into health, education and other vital sectors of the economy. Change in the electricity sector was necessary to make the organisation more responsive and to provide the added capacity (generating, transmission and distribution) that was lacking in the past.

*I think in the context of The Gambia, power supply is really very crucial. It impacts upon virtually every facet of development and we had a situation where we had very poor power supply at high cost and so it was logical to look again at what the problem was and what reform could take place.*

The WB/IMF continued their programme of reform in The Gambia after the failure of the performance contracting system in GUC. The WB/IMF conditionality programme shifted from economic recovery to structural adjustment, and another conditionality agreement, the Structural Adjustment Programme (SAP), was signed with the Gambian government. SAP was part of the WB/IMF drive to introduce more private sector participation into the economy. It required the Gambian government to further divest itself of the need to produce certain services, which could be more efficiently provided by the private sector. The GUC was one of the sectors identified by the WB/IMF for more private sector participation as the model of corporatisation (GUC) had not achieved the desired objectives and the corporation was still performing poorly.

*It was a desperate situation and at the time the WB/IMF came in and said we are prepared to loan you money but you have to undergo some more institutional changes before that money would be forthcoming.*

*The Gambia is a poor country and it depends for most part from grants from these international bodies and our budget is predominantly dependent on aid and as such the government had no alternative but to comply with the wishes of the World Bank.*
The WB was able to convince the government that the best-suited form of more private sector participation for GUC was a management leasing arrangement that was similar to the leasing arrangements that the Bank had pioneered in two countries in the West African sub-region, Guinea Conakry and La Cote D'Ivoire.

So these things had been tried before and the management lease was seen as an option, which was middle ground where the assets still remained with government but the day-to-day operation was with the private sector. It was just an operational lease and we felt that this would introduce further efficiency in the sector.

On the insistence of the WB, a holding company called the Utilities Holding Corporation (UHC) was formed to own the assets of GUC. This holding company was to make the necessary investments in the industry, whilst the day-to-day operations were to be contracted out to a private sector company. The legal framework for the leasing arrangement was already in place as the Public Enterprise Act 1990 (a review of this Act is contained in Appendix One) permitted the government to set up public enterprises to promote improved performance of government’s commercial activities. In July 1993, UHC entered into a contract with a private company from France (Sogea) to operate UHC assets and provide utility services in The Gambia. The responsibilities of the UHC included the planning and financing of investments, the preparation and implementation of projects, and the monitoring of the management lease contract with Sogea for compliance.

I think one of the reasons why we sought to bring a private company was to improve the commercial aspect of it. What we saw initially was the commercial aspect, we saw that it would generate more revenue without necessarily hiking tariffs, it would have resulted in better service coverage, and better reliability and really the intangibles or the spin-offs and those were the reasons why we did it. Generally we thought that there would be a greater degree of confidence from the funding agencies and in the long run they would continue to support us.
Both UHC and Sogea were expected to source their revenues for investment and for operations from the electricity tariff paid by consumers. The lessee was responsible for collecting the revenue and paying a surcharge to the lessor.

5.4.1 Implementation of Change

The outcomes of the change process during the Management Lease Contract era were dependent on the manner in which the change programme was implemented.

5.4.1.1 Planning

A Task Force was set up by the Gambian government to work through the delicate stage of overseeing the leasing process and negotiations.

The initial study was carried out by consultants and the negotiations were carried out by the GUC. But let me just say here that the sort of GUC/government side of it was represented by a very wide range of interest. There was the managing director of the GUC, there was the NIB who had overall responsibility for that sort of thing, the Attorney General's chambers, the Ministry of Finance, the parent ministry of GUC that is the Ministry of Trade. So everything that was done was done in the presence of these people who were represented at all stages. Consultants were also brought in and the managing director of GUC had one or two technical advisers helping him.

The Task Force prepared tender documents, which were opened up for competitive bidding from international companies. Several proposals were received from prospective contractors.

We had asked them to give us a price for operating the system, how much they would charge or how much they were willing to pay the holding company for every kWh sold. When the proposals arrived, the
only deciding factor was the price, and the one who had the lowest price was the guy who won.

The contract was awarded to a French civil works contractor Sogea. Sogea had taken on a Danish electrical works contractor BWSC as a partner. Both parties had previously been involved in construction work in The Gambia.

We thought that it was a good partnership and even though Sogea was mainly in civil works having BWSC as their partner was going to put them in a good position to provide the service. At the last minute the partnership fell apart. Sogea said they were teaming up with somebody else, and we tried to find out who the new partner was. Although we were given something on paper, we never saw them on the ground. Like I said government had already made a decision and there was no way we could reverse the decision.

Sogea set up a limited liability company called Management Services Gambia Limited (MSG) to carry out the operations and maintenance of the UHC assets. Government through UHC retained the investment portfolio because it felt that foreign governments and donors would be more willing to give grants to the Gambian government rather than to a private company. The government also stood a better chance of getting better loan rates from the international market than commercial companies. This it was felt would lead to the lowering of the high price already charged to electricity consumers.

5.4.1.2 Staff Selection

MSG had informed government during the negotiation phase that they would bring in foreign staff to take-over all senior and middle management positions in the company. This was unacceptable to the government and after much negotiation MSG agreed to limit foreigners to the most senior positions in the company.
I think the significant thing they did was to change the whole top management team to French and Gambians didn't really know what was going on.

Senegalese nationals were brought in to fill some of the middle management and administrative positions in MSG primarily because of the language barrier. The Senegalese officials spoke French and they also spoke a common local language with Gambians. They could thus serve as intermediaries as well as interpreters between the senior management team, who spoke very little English, and the rest of the local staff, most of whom did not speak any French.

Before the contract became effective, the Gambian Staff were given two options by government to either join the UHC or be transferred over to MSG.

Well initially people were given questionnaires to ask whether they wanted to be employed by MSG or UHC. It was made clear that the holding company would only take eighteen people, and so naturally most people chose MSG. It was also stated that if MSG did not find a suitable position for them, they would pay them six months salary. It was left with MSG to choose whom they wanted or not.

Most of the staff required by UHC were at the managerial level. The President appointed a new MD and the other members of the UHC management were handpicked by the outgoing GUC MD and the incoming UHC MD. MSG on the other hand had handpicked a few Gambian staff from GUC who they considered to be competent. The staff MSG handpicked were required to assist the MSG management in staff selection, as they knew the capabilities of most of the Gambian staff having worked with them. MSG also utilised the services of the outgoing GUC MD in staff
selection who, after the signing of the lease agreement, was taken on as a private consultant.

*Before they took over, they came here enquiring about the qualification of each and every individual that was employed with GUC and it was in consultation with us who were here. The structure was there but they needed these number of people and instead of needing four for a job they said we need two and we decided on that and the others would go and of course the capability and the capacity of the workers was taken into consideration.*

MSG merged the water and sewerage divisions due to the similarity of the two operations. A formalised organisation structure was never put in place, although French nationals headed all departments and divisions. UHC on the other hand maintained the previous GUC functional structure for monitoring as they had constraints on their operations and budgets.

*We were also guided by the WB and they had determined that the cost of our operations (UHC) should not be more than 22% of our gross income and that was just an arbitrary figure which created a lot of problems later on.*

### 5.4.1.3 Downsizing

Over a thousand employees joined MSG from GUC. The consultation exercise carried out by MSG prior to the commencement of the contract was to determine the number of employees it needed to run the operations and which employees to lay off. A downsizing exercise was carried out on the first day the contract became effective to weed out unproductive workers and keep only those whom they felt were competent enough to get the job done. The downsizing exercise was also carried out to minimise the labour cost.
In addition to being a foreign company they were very concerned with the overstaffing. So from day one they thought it should be much more streamlined and they provided them with much of the tools and equipment that they needed to do their work and got rid of excess fat.

MSG laid off over two hundred and fifty people on the first day, the majority of whom were middle management and junior level staff, although some senior management staff were also laid off. By the end of the MSG era over four hundred workers had been made redundant. Workers who were laid off were paid their redundancy benefits.

Well they abided by what was in the contract and that was six months pay and a months notice. Where a month's notice is not given you are entitled to a month's salary and in most cases people who were downsized walked away with seven month's salary.

5.4.1.4 Management Style

The senior management team in MSG was new and like the GUC management team before them, they also adopted a very autocratic style.

It was very autocratic and I think this was from the mindset at the beginning. It was very clear what was communicated to them, we have a hopeless situation and hopeless people and when you take over you cannot help but treat them that way.

They gave you whatever they wanted, gave you whatever responsibility they wanted. They terrorised the Gambians and were very tough on attendance and punctually. That was the style very very autocratic, and as Nixon used to say 'either my way or the highway'.

Some of the Gambian staff, especially those at the middle management level, were involved in some planning with the expatriates. Middle managers were also given a limited amount of autonomy to get on with the job.
Well when it comes to work planning and that sort of thing we were very much consulted, but when it came to administration, management, and remuneration, they kept that close to their chests.

5.4.1.5 Rewards

The lease did not allow MSG to pay employees anything less than they earned under GUC. Most MSG employees were given a very nominal increase in salary. However, a few key employees (especially those who helped MSG in staff selection) were selected and given significant salary increments. Employees who were perceived by senior management to have performed well were rewarded with a bonus payment at the end of the month. There was no performance appraisal policy and rewards, according to a senior manager who worked under MSG, were based “more on whim, somebody comes to me I look at him and decide that he should be at that level and paid him so much”.

5.4.2 Problems Encountered

Problems were encountered during the implementation of the change programme in the MSG era. The problems encountered and the manner in which they were dealt with affected the outcomes of the change programme during this era.

5.4.2.1 Participation

Only the GUC MD participated from among GUC staff in the complex negotiations that brought about the lease contract.

The participation at the time of GUC staff was very limited as this was being kept as a secret. It was expected that the people in GUC would be involved when it was going to be implemented. It would have been better if there was GUC involvement at the inception of the contract.
and you would have had the support, and people would have contributed to develop the contract because it is important to have the support.

*It could have been extremely good if technocrats are put on board at the very early stage. It is unfortunate that in this country technocrats are short-circuited and are only brought on board when things go bad. In my opinion it could have worked extremely well if technocrats were put on board from the early stage.*

### 5.4.2.2 Political Problems

The Ministry of Finance played an important role in the negotiations. However, the negotiations happened at a time when finance officials were being distracted by political infighting involving their minister, and as a result they could not devote the required time and effort to negotiate a good contract.

*I think it was political ambition of the players particularly at the latter stage. The Ministry of Finance they should have been pushing the NIB for bringing about change, but unfortunately we have to talk about personalities, and the Minister of Finance competed with the Vice President for succession of the President. That really complicated matters, and they had no time to focus on policy and were only interested in playing politics. That was a major problem that could only have been solved by the President himself. There was the competition at the top and they had no time for us at the NIB, for policy and the programme of change.*

### 5.4.2.3 Resistance to Change

Some senior staff in GUC were sceptical about changing from the corporatisation model to the private sector model of management contracts, as they were unsure of their future positions in either UHC or MSG. Some members of the senior management team also felt that some progress had been made during the Jawara administration and further change was undesirable.
Now it was also done at the time when most people thought that GUC had just begun to turn the corner. Turn the corner in the sense that the last GUC MD had the technical know how and was highly trained and, most importantly, he had the political clout as he coincidentally was the son of the President and he could say no to a minister without second thoughts. He had all the elements in terms of the political clout, he was technically trained, he was a highly trained engineer and GUC had already started to turn the corner.

There was no resistance from the junior staff. Most of them were happy because they had heard rumours of increased salaries and that was their major concern – their take home pay.

_We are a poor country and jobs are hard to come by, and we are not a free market economy where you can leave one job if you don't like the conditions and go to another one. So the staff have no choice and have to accept whatever is decided by government or by the management._

5.4.2.4 **Downsizing**

A lot of social problems resulted from the downsizing exercise undertaken by MSG. Most of the people who lost jobs under MSG were the major breadwinners in their families, and this adversely affected their families. Workers who had spent over twenty years in the utility sector and those who had spent a year were given the same redundancy package of six or seven months’ salary depending on whether a notice of redundancy was given or not.

_There are people who took MSG to court for wrongful dismissal at the time, but like I said MSG had a strong foothold and were able to manipulate the system to their advantage, and nothing really came out of it for most of the people._

In some cases more numbers were cut than was necessary and a few key areas of the industry were left unmanned by MSG.
This is not Europe and if they want to do that they have to train people adequately and also they have to look at the resources, then they can perform like their counterparts in Europe. Over here it is labour intensive and they lost sight of that and drove out a lot of people.

But they did that without really understanding all the factors, as they were not really an operational company. They were not familiar with operating such a facility in the third world and they unfortunately got rid of people who mattered. When they started operating they encountered a lot of difficulties and they had to reverse some of their decisions and take on more people.

### 5.4.2.5 Contractual Problems

Sogea had no previous experience in utility operations and its competence was questioned in many quarters. Some senior managers believed that the process of pre-qualification and selection was not open and transparent.

The government made a mistake by looking at only somebody who had the financial muscle and basically what they did was to pre-qualify without realising that certain companies were construction companies. The result was that we landed with a company that had considerable experience in construction but not operation. When it started it was a joint venture between BWSC and Sogea and BWSC were manufacturers and construction experts. Shortly after the contract was won, BWSC pulled out and we asked Sogea to give us another partner and they gave us a name, but until the contract was terminated these people were never part of the game. We tried to ascertain this but to no avail and there was not much we could do about it.

I think there was a lot of corruption in the way the MSG contract was set up, as there were lots of people within government circles who were taken on as consultants by MSG after they had won the contract.

The contract with Sogea and UHC (on behalf of the Gambian government) was signed under a lot of pressure from the World Bank. It was not tightly defined and problems were encountered from the first day in the interpretation of certain clauses of the contract.
One of the major problems was that there were no clear terms defining clearly what MSG, in terms of the capital replacement, what specific things they were supposed to be doing. That was a loophole which MSG took advantage of.

Government had, before the commencement of the contract, introduced a duty element on fuel, and urged MSG to absorb the added cost. This was a source of problems and a lot of confusion arose as to the interpretation of the clauses related to the tariff structure. MSG wanted to pay as little as possible in terms of the surcharge and UHC wanted them to pay as much as possible. This was because the surcharge to be paid by MSG wasn't based on a straight percentage.

5.4.2.6 Investment

Investment in the electricity sector was the responsibility of UHC. UHC expected to raise the necessary finance for investment from the surcharge received from MSG and through grants from donors and possibly loans from bilateral partners.

Some of us of course wanted to tie in investment and management, and the companies we invited to manage must be required to invest. But here we were being pushed so hard and so fast by the WB that we were not able to tie this into the agreements. Our major problem was not management but investment. But sometimes they were a bit reckless attaining what they want the WB, and they don't give you any chance as they control the funds that come to you and they don't give you the best programme suitable for your condition. That was one reason really and a lot of it was being driven from Washington and not from The Gambia. I don't think this was a good thing. I think they also had their performance targets to meet from their end and they were ready to ride roughshod over our own needs just to meet their own targets. It was not very good, as we were not given adequate time to put in some of these things we were thinking of. The investment side was being looked at closely and we thought at one point that the best way to go about it was to invite investment from outside so that the bottleneck would be broken. The two, investment and management, would have been linked if the WB hadn't stepped into the picture.
It is ironic that what Gambians could do most was what was privatised, and the one that they needed support with – investment - was what was left in Gambian hands.

5.4.2.7 Monitoring

Monitoring the leasing agreement was the role of UHC. It quickly became evident that UHC did not have the manpower, the resources and the competence to carry out the functions that were expected of them.

When the UHC was set up it was clear what we were supposed to do and monitor. However, we ended up monitoring a lot more. It was a problem determining what was due to us and we realised that we had to determine exactly how many units were sold, and even after agreeing they refused to pay and we ended up dealing with a lot of issues that were never supposed to be the case. It put a strain on us and we did not monitor as effectively as we should have.

They (MSG) kept a lot of information from the holding company and in some instances they refused to provide information that they were contractually obliged to provide.

UHC did not have the full support and the mandate of the government to follow MSG, because MSG was able to manipulate a lot of the politicians and bring them to their side.

The expectations of consumers with the take-over of the activities of the GUC by MSG were that the provision of electricity would become more available and blackouts would be a thing of the past. Customers instead became more dissatisfied as MSG embarked on disconnection campaigns and customer disputes were not dealt with unless the disputed amount was paid in full. MSG it seemed, by their actions, were more interested in making money than keeping the customers happy.
5.4.3 Outcomes of Change

The major outcomes of the change during the change from GUC to MSG were in the areas of cultural change and the adoption of more commercial principles.

5.4.3.1 Cultural Change

The change from GUC to MSG was accompanied by a marked change in culture. MSG management had made it known that if people were found idling around and not working they would be dismissed immediately.

As I said the people who were coming from GUC had no culture. The change helped to hammer home the point that you were working for somebody who wanted to make money. It was not about coming to work and sitting down and going home at four o'clock, you had to add value everyday wherever you are for the company to continue to survive.

Discipline certainly went up, people cared about their jobs and performance went up, attendance and punctually went up, you had fewer staff and productivity went up. Generally things improved a great deal and the culture was one were people knew they had to work.

Productivity increased as the work force was reduced by 30%. MSG also brought in new plant and equipment, which helped in raising productivity levels as previous to the change most of the work was carried out using manual labour.

When MSG came they cut the pork out and it was a lean and very efficient system. Indeed there were some measurable changes which took place as a lot of deadwood within the system were weeded out and that was good, because for a long time government was unable to scale down the staff of GUC and we benefited from that.
5.4.3.2 Commercialisation

MSG was keen from the onset to demonstrate that their operations were of a commercial nature. They introduced a lot of controls to minimise waste and to eliminate the corruption that was present during the GUC era.

*They concentrated on service connections and replaced a lot of meters, as that was their cash register, and they were very strong in the commercial aspect.*

Revenue collection was given the priority it deserved, and all GUC’s VIP lists were eliminated. The disconnection campaigns that were undertaken instilled a culture among consumers that their bills had to be settled on time if they were to continue to enjoy utility services. This new commercial attitude brought to the limelight, in The Gambia, the benefits that could accrue from further private sector participation in the economy.

*I think it was in our best interest basically because, for the first time, we were able to focus management minds on the things that mattered in running any organisation, making sure that you control costs, making sure that you put your resources to the best possible use, making sure also that you develop your human resources to the level required to maintain the organisation. I think in that sense it was very successful. It was also preparing them towards a modernisation programme and for the first time they were compelled to use modern management techniques and the ultimate aim was to move the organisation to the point where it can operate on a purely private sector basis. It was very vital.*

5.4.3.3 Termination

The UHC/MSG marriage was fraught with a lot of problems. MSG was not interested in the unprofitable provincial operations and neglected this part of its operations. It was also very heavy handed with consumers which prompted consumers, for the first
time in The Gambia, to form an association to deal with the numerous problems that were being encountered. In July 1994 there was a change in government and a military government overthrew the democratically elected government. The military government was very concerned with the state of the utility sector, and statements made by it, soon after taking power suggested that the deplorable state of the sector was one of the reasons for carrying out the coup. Despite the change in government, MSG continued on its disconnection campaigns and cut off some major local area councils who provided water to needy communities.

This was affecting the popularity of the government and they (MSG) were instructed to reconnect. UHC was contacted by MSG to ask whether UHC will give the guarantees for the monies owed to them by the local councils. UHC couldn’t give these guarantees to MSG and they (MSG) refused to reconnect. Government just called them in and terminated the contract.

MSG had embarked on the computerisation of the customer and billing records of the utility sector and these were stored in Sogea’s headquarters in France and accessed through a computer link. On termination of the contract, the link was broken and no access was made available from The Gambia to the database held in France.

5.5 The UHC Era (1995 – 1996)

On terminating the MSG contract, the government decided to revert from the management contract model of private sector participation to the corporatisation model and decreed (all laws during the military period were in the form of military decrees) that UHC would be responsible for the entire operations of the utility sector.

Thereafter it was a very difficult transition for UHC. UHC was a holding company and not an operating company and they were directed to take over the operations. We were lucky we still had Gambians
around as they were mostly sidelined during MSG time, and had we not had them we would have been in serious trouble.

5.5.1 Implementation of Change

The outcome of the change process during the UHC era was dependent on the implementation of the change programme. This programme was basically concerned with ensuring that stability was brought back into the utility sector after the tumultuous MSG era.

5.5.1.1 Management Support

The President appointed a new MD who, at that time, was the only one in UHC who had both engineering and management qualifications (BSc. and MBA). The new management team was inexperienced as most of the team had not been previously involved at a senior level in the utility sector and had very little operational and business skills.

The priority was to stabilise and the twelve or so experts who formed the senior management team under MSG left immediately. The Gambians who were there did not necessarily have access to the information and were not necessary competent to be managers.

The government decided to bring in an external team of experts to guide and support the new UHC management team.

When the contract was terminated, you have a lot of sharks in this world and they are always looking to see where they can take advantage of developing countries. Biwater and ESBI came in as they knew there was a contract terminated in The Gambia and it was an opportune moment for them to come in and maximise whatever benefit they could have. So they came in and persuaded the government to enter into a management support contract to assist UHC in what they
perceived at the time as being lack of proper skill and capacity to manage the sector.

ESBI (Electricity Supply Board of Ireland) and Biwater (UK) formed a Joint Venture (JV) company and signed a contract with UHC for management support for a year. The JV partners were also required to assist UHC in bringing in additional capacity as no new capacity had been added during the MSG era. In fact during the MSG era there was a reduction in capacity as one of the engines at the power station had exploded reducing the available capacity by 33%. The head of the JV team became the General Manager of operations but worked under the MD of UHC.

Each manager had a counterpart not a boss, and they would sign invoices jointly and everything was done jointly. That gave the UHC MD the time to focus on the legal problems, the restructuring problems, and that worked very well indeed.

5.5.1.2 Organisational Structure

There was no formal organisation structure in MSG. UHC therefore had to formulate a working organisational structure. An interim structure (Fig. 4 overleaf) was put in place within three months, and it was decided that there would be no overall head of the various divisions rather there would be a string of managers for every section until a well-defined structure could be formulated. The interim structure was formulated by the chairman of the newly formed UHC board, who was a human resources expert from the private sector, the JV General Manager and the MD of UHC.
Figure 4 UHC Organisational Chart
The first thing they did was to identify what needed to be done because in
electricity you have generation, transmission and distribution. They
looked at generation and identified what needed to be done and the
whole chain of activity was broken down into tasks, and then the tasks
were grouped together into jobs, and it was after all these things had
been done that they started assigning individuals to jobs. They told us
that they forgot about everything else, names, individuals and everything
and identified what needed to be done. After they felt that they had it
right and tasks had been identified and lumped together into jobs, they
started putting people into jobs and found out that some more people
were needed.

Some of the people whom MSG had laid off were rehired to fill the jobs identified as
needed when the interim organisation structure was developed.

5.5.2 Problems Encountered

Even with the presence of the JV partners, decision making in UHC was slow.

The only problem we had at the time was that the managers were very
young and very inexperienced and it took us a very long time to make
very significant decisions, and that was very bad for the organisation.
We felt that we should not be rushing things, as we would have made
very bad mistakes.

MSG cut off the link with the computerised customer and billing records on
termination of the management lease contract. UHC inherited the operations of MSG
without knowing who their customers were and their liabilities

It was very tough and when UHC took over there was no billing and we
had to reinitiate a manual billing system whilst Quantum Associates, a
computer company, worked on designing a new computerised billing
system for us.

There was no time to sit down at management meetings to discuss the
affairs of UHC and all we were trying to do was maintain the services
and what that entailed. We had gas oil and the little money we had was
able to buy spares and pay the staff whilst we were still trying to put the
commercial division back into shape. It took us two and a half months
working under duress.
The disconnection campaign of MSG made the government very unpopular and it had to terminate the contract to restore its popularity. All the MSG staff, including the Senegalese administrators, had to be absorbed by UHC.

In the transition from GUC to MSG, it was very clear that the staff had to be taken over and there was the choice of saying yes or no. UHC had the difficult task of taking over the entire staff of MSG for two reasons, one was the matter of termination, but the second one was the political situation at the time. Once the government comes in to intervene it was like saying again this is our national assets, and when that sense of belonging is there it is everybody who owns it and you cannot start by chopping off heads really because you are saying that these heads do not belong. That was the political side of things, which was a little difficult. Also on the staff issue there was the critical element of foreign staff particularly Senegalese and this was a time we could not venture to strain the relationship with any of our sister countries because of the transition. We had a new government that had to be accepted by other countries and we could not say these were not Gambians and so they cannot work here, and so we had to take in everybody.

UHC inherited a lot of salary discrepancies from MSG because there was no defined salary structure in MSG. A considerable time was spent working through these to limit employee dissatisfaction. UHC also had to negotiate with the government to pay their staff more than what the public enterprise policy stipulated because of the discrepancies inherited from MSG.

Having taken over from a private company that did not have any structure and remunerating by whim, first of all it meant that we still had that hangover and you really had to make some people suffer by cutting their income or drastically increase your labour cost. None of these were easy because we had limited room to increase our labour cost, and at the same time we were concerned of people in the lower level who were receiving one and a half times of the people above them. I remember at the time of the termination our secretary here was earning up to two times more than an engineer in the Transmission & Distribution section. So you can imagine having to deal with such issues, they were so delicate as you are dealing with people, but at the
same time so difficult for a manager to decide how people fit in and where.

The negotiation of the management support contract with the JV partners was rushed through because of the desperate need of assistance after the termination of the MSG contract. Due to poor planning and the speed with which negotiations were carried out, midway through the contract, problems of interpretation of the contract arose between UHC and the JV partners. The contract fee of the JV partners was also too high and was a cause of concern within certain quarters in UHC.

Clearly it was not in our interest to go in for such an arrangement, because for six so called experts that the JV partners provided, they were paid far more than what the whole workforce of UHC was paid in a year, a workforce of about 700-800 workers. We felt that that was a very bad arrangement and after the first year we refused to renew the contract. We felt that we were being exploited and their input into the company was far less than what we were paying them. We thought at the time we could stabilise things as we had a lot of indigenous people that could take over from them, and so we terminated the contract.

Another reason for terminating the contract was that the JV partners were trying to create an atmosphere of dependency to prolong their stay.

However the European/African relationship is that, inasmuch as they would want to transfer their knowledge, there is always this apprehension or jealousy, and they would always want to prolong their stay. Europeans particularly when they come and get all the benefits and all the privileges, they usually don’t want to go back. With that in mind, inasmuch as they are going out to train Gambians, they are reluctant to encourage Gambians.

5.5.3 Outcomes of Change

In the year that the management support contract was in place, the generating capacity was increased by 1.5MW, an organisation structure and a pay structure were put in place. With the help of the JV partners a corporate plan was developed for UHC.
During the UHC era management stability was brought into the organisation and the initial problems caused by the abrupt termination of the MSG contract were gradually overcome.

5.6 The Nawec Era (1996 – )

A major part of the UHC corporate plan was devoted to the investment required in the utility sector to meet the rising demand for electricity. Donor agencies and The Gambia’s bilateral partners had cut off all assistance to The Gambia in the aftermath of the military coup of 1994. The government was unable to meet the investment requirements and realised that only private sector capital could provide the needed investment for additional capacity in the electricity industry.

There was a recognition by government that in fact the budgetary situation would not allow investment in the energy sector in the magnitude that was desired to catalyse development, because it is evident that one of the preconditions of development is the provision of sustainable, reliable and affordable energy supply. I think right up to, and after the leasing, the factors have been that government has not been able to supply sufficient energy to the people.

In 1996, in recognition of the investment requirements of the sector, the government established a limited liability company called the National Water and Electricity Company (Nawec) under the Companies Act 1955, and transferred the UHC assets to Nawec under the Public Enterprise Act 1990.

The intention being that now there is recognition that government cannot go it alone in the provision of energy, and that the provision of energy in itself is a profitable and viable private venture. To incorporate a private company will make a lot of sense in attracting private resources in the generation and transmission and management of energy resources. So that was the reason why Nawec was set up and I think that Nawec, given that orientation, is a good way forward.
5.6.1 Implementation of Change

Three of the better performing public enterprises in The Gambia (Gambia Telecommunications Company Ltd (Gamtel), Gambia Ports Authority (GPA), Social Security and Housing Finance Corporation (SSHFC)) were asked by the government to become the initial investors in the newly created company, and each were allocated shares in Nawec. Government had 99% and the three parastatals shared 1%. However, Nawec was still considered a public enterprise, and answerable to government through its parent ministry.

A new board was constituted to reflect the changes in the institutional structure of Nawec. Each of the MDs from the shareholding parastatals was given a seat on the board, together with the permanent secretaries of the ministries of Trade and Finance and the MD of Nawec. The board also had two private individuals representing the industrial sector and the domestic sector, one of which was to be the chairman of the board. It was hoped that the commercial experiences of the parastatal representatives and private board members would be brought to the board.

*I would say that among the public enterprise, both the previous and second boards were one of the best in the country. We used to have a lot of debates and there were private people on the board and we had professionals. We had some that were commercially oriented like the two previous chairmen and even the other professional had some commercial experience.*

5.6.1.1 Organisation Structure and Staff Selection

In 1998, the Nawec management felt that there was a need to change the UHC structure to make it more responsive to the needs of the organisation. The UHC structure was only meant to be an interim structure. The management team developed
a new organisational structure (Fig. 5 overleaf) and new divisions were created. Most of these divisions were to be headed by directors.

Strategy wise, people have looked at individual departments and we were missing a layer of our organisational structure since 1995 and these are the people who should have been doing the strategic thinking in the company. The positions were vacant since 1995 until mid 1998 and these should have been the people who should have been doing the thinking and consulting with the shop floor, and keeping the company focused. But nonetheless we have kept patching up the gap through consultations with the next layer, and this made it difficult because they were engaged in planning as well as operations.

All positions in the new Nawec structure were advertised. The board was involved in conducting the interviews and making the appointments at the senior management level. The members of the board realised that in order to move the organisation forward it must appoint competent people to the new positions in Nawec.

The board was very involved in getting the right type of people in the organisation within the normal constraints of government. Senior people were vetted before being promoted or appointed to any position within the company. However there were occasions when this was beyond the control of the board. As I have stressed throughout this interview we are dealing with a D200 million company and it was necessary that we have people who have good characters to run the company, as the likelihood of corruption is great especially if we have unscrupulous people appointed.

Most of the people appointed to the new positions, that were identified as needed after the development of the organisation structure, were promoted from within. However, problems were encountered in filling some of the middle management positions.
Figure 5 Nawec Organisational Chart
We had problems getting professional staff especially engineers and it has been difficult. For the last three years we advertised for these positions but we have only been able to get one or two and there are still a lot of vacancies in the sector for skilled professionals. On the IT side we have been unable to recruit an IT manager. Computer engineers are difficult to get mainly because of the salary structure, as most of them prefer to work in the private sector. However in the case of electrical engineers, they are just not available in the country and even if they are, they have already been taken. So getting quality people has become a great problem.

5.6.1.2 Management Style

The UHC MD was appointed as the Nawec MD and had matured considerably in the year that he worked closely with the JV management team. He was highly competent and showed exceptional qualities during his tenure at the helm of Nawec and was held in high esteem by his colleagues.

I think he had a lot to be admired and he also had the ability, and the training to handle the job. He was able to work with people and keep everybody focused on an objective, and have a shared vision. That was his leadership skills. It was one of coaching people, one of encouraging people, and he was able to keep everybody focused.

He fostered a spirit in the senior management team of teamwork, embodying consultation, participation, communication and collaboration.

He consulted and it was like a family arrangement and there was a link between all of us. We were able to blend in and work as a team, and whatever problems and differences there were, we tried to solve them in the open. We disagreed to agree on issues and there was no other agenda because that did not even surface.
The new MD encouraged training at all levels in Nawec, and the staff were sent on training courses both locally and overseas. Senior managers, who were mostly engineers, were also encouraged to acquire business skills.

We have been trying to train them and some of them have been sent on business courses, and some of them have been sent to do the MBA. These have improved their business skills tremendously and some of them now think commercially. We hope that in the next three to four years, all of them will have business skills.

There was a rotation of managers to encourage multi-skilling as a means of job enrichment for the management team. The creation of dependency was frowned upon and everyone was encouraged to know about other areas of the company. Managers were given a considerable amount of autonomy and were encouraged to delegate responsibility downwards wherever possible. They were, however, not allowed to commit the company’s money and the MD’s approval was required for every expenditure made. One senior manager in Nawec described his style of management thus:

My style here is to give the job to my subordinates as much as possible and it is for them to come back to me. I tell them this is what I want to do, and I don’t want them to come back to me and say I cannot do this. I want them to study the problem and solve it and come back to me and say this is what I need to have the work done, and this is the only way we can move forward.

Consultation, participation and communication were used as effective management tools and committees were formed to look into different aspects of the company’s operations.
We gathered information from all sources that we could before we made decisions. I think at that time you could say that it was collective decision making because the MD never made any unilateral decisions except if the circumstances necessitated them.

We are consulted on every matter and we know everything that is happening in the company. You see I am not part of the electricity division, but I can tell you what’s happening in the electricity division. Every decision is a management decision. We discuss the issues and agree on everything. It is definitely participatory. The MD can make the decisions but he never did that, and we had management meetings where we discussed issues. Even when we don’t have meetings, we are informed of what is happening through memos and the like, and we are fully kept abreast of what is happening.

The Baldeh (name of Nawec MD) management team was made up of young managers who had the academic training, experience and the competence to get on with the job. They also worked well together.

We are all the same age group and the same generation. We went to school together, we played games together and there was this open attitude towards each other and even the people who we did not go to school together, it was easy for them to assimilate and join in. It was really a good management relationship. This, I believe, contributed to the success of Nawec because if you can discuss with someone openly, then the tendency is that you will trust them, and once you trust people, and when they realise that you’ve entrusted something to them, the tendency is that they will do well with it.

5.6.1.3 Private Sector Participation

Intense negotiations were undertaken between UHC (later Nawec) and Sogea to find an amicable solution to the termination of the management lease contract by the Gambian government. A solution was eventually reached and Sogea and Nawec decided to enter into a joint venture. A joint venture company was formed called Gampower with Nawec owning fifty-four percent and Sogea forty-six percent of the company. Gampower purchased a second hand generator and the company became
The Gambia's first Independent Power Producer (IPP). Gampower sold power to Nawec for onward transmission and distribution to consumers under terms agreed upon in a power sale agreement.

*G11 although it is a second hand engine, it has filled a very important gap and anytime it goes down it is felt by every consumer. However, I know that we can still do better.*

After the formation of Gampower and the purchase of G11, the government received proposals from investors around the world who were interested in participating in the sector as Independent Power Producers (IPPs). An Energy Steering Committee (ESC), similar in composition to the Task Force that negotiated the management lease contract in 1993, was set up to look into the proposals that were received from interested parties.

*We have on the table several proposals and we have two at the moment that have been signed. You have the BEECL agreement where they are proposing to build a 20MW power plant, and we have already signed the power sale agreement. Then you have the Ivorian businessman (Bassam) who is also trying to come in, in a very big way, and he has signed a contract with government without the knowledge of Nawec to develop and install a 100MW plant.*

In January 1999, in the midst of the ESC deliberations, an unexpected management shake-up occurred and the ESC was dissolved. The services of the Nawec MD together with the entire board and the shareholding minister were terminated. A new board was appointed and a former MD in the GUC era was appointed as the new Nawec MD. In July 1999, the government agreed to lease all of Nawec’s assets to Bassam, however, in August 1999 this agreement was rescinded. Other agreements have been signed since August 1999. One agreement was with ESKOM a South
African company, and another agreement was with ESBI and Bi-Water who had participated in the management support contract during the UHC era. These companies have declared their intention to invest in the generation sector in The Gambia.

5.6.2 Problems Encountered

Some problems were encountered during the implementation of the change programme in the Nawec era. These problems and the way they were dealt with affected the outcomes of the change programme.

5.6.2.1 Board of Directors

Although the board of Nawec had people from parastatals who were expected to be commercially oriented, several managers of the company questioned their commitment to the company. Board members also wanted to be involved in matters that were more operational than strategic and this created some friction between management and the board.

_The board on the one hand has not been commercial at all. The board is mainly comprised of public officials who do not have a clue in the way in which business should be run. I have noticed that people in the boards are more interested in the board sitting fees that is available, rather than devising adequate financial policy that would make the industry viable. Board members should have the interest of the shareholders at heart, but this appears not to be the case._

_We sometimes did not have representation from the highest authority particularly from Finance and Trade and even the parastatals sent different representatives from time to time. We have cases where decisions will be taken at the board level supported by everyone only to be told later, when they consulted with their superiors especially with finance, that they actually do not support the decision. This was very_
frustrating. We had to resort to discussing this later and as such this hampered progress in the institution.

5.6.2.2 Government and Political Interference

Government interference in operational matters initially decreased but later increased during the Nawec era.

It also coincided with the time we had the military government and some of the time we would get some instructions from above and those were circumstances we had no room to debate or see what to do. If you had instructions from the top, and especially from a military government, then you have no alternative but to do as they say.

The public sector was an area that was targeted by the military government for reform. Many top civil and public servants lost their jobs either because they were associated with the former government or for alleged corruption, which in most cases were never proven. This resulted in the loss of vital institutional memory in the public sector in general and Nawec in particular.

When you talk about instability people tend to talk about political instability. Political instability is when everything breaks loose, but here the real instability is institutional and administrative instability and this is what has set in.

The quest to secure private sector participation in the industry was fraught with a lot of political interference as many unsolicited proposals were received which had to be studied by Nawec and the ESC.

Those coming from below were easy to deal with, however those coming from above were not so easy to deal with because you had groups lobbying, even where their proposals were not so attractive, and there was a lot of pressure from above.
A former MD of GUC, who was an active party militant, submitted a proposal to the ESC. This proposal was rejected because it did not meet the standards required by the ESC for participation in the electricity industry. However, within a week the former GUC MD was appointed as the new Nawec MD and the people who were thought to have been blocking his proposal were terminated. An agreement was later signed with his private company to participate in the electricity sector as an Independent Power Producer.

The present MD has served in the corporation before as an engineer and he was sacked. He later came in as MD and was again sacked and he has now been brought in again. There is a gross conflict of interest as he is the owner of Banjul Electrical Engineering Company Ltd (BEECL) which has just signed a D280 million contract to build a powerhouse and he is also MD of Nawec. I feel that this is unethical and should not have been allowed at all.

The MD who has just been fired left at a time when Nawec made the highest profits in their history, for that particular year, they clocked over D13 million net profit, it had never happened. The previous year they clocked over D1 million and before that the utility sector had never made any profit, it had always been losses. So what would have been the wisdom in firing that guy?

5.6.2.3 Planning

There was a lack of any coherent planning at the policy level for the introduction of private sector participation into Nawec. Some of the proposals signed by Nawec (Bassam & BEECL) were signed without proper planning and any framework in place for further private sector participation in the industry.

There is no omnibus framework governing the electricity sub sector in terms of what the objectives are, what the roles are, who the players are, and what the operational modalities are going to be. If that is
developed, then you'll have a structured framework, which makes it
easy to evaluate any proposal on IPPs on the basis of the framework,
and the vision you have for the sector. What seems to be happening is
that things are being done the other way round, proposals are coming
from all corners and then you try to see how those proposals fit into
your scheme.

Private sector participation has also been narrowly focused on the acquiring of
additional generating capacity.

The only talk at the moment is about generating capacity. It is true that
this is limited, however the addition of more capacity will not solve the
problems in the electricity sub sector. This is good but not good
enough because enough attention is not being paid to the whole system,
and electricity must be considered in its totality as that is what will
solve the problem. Having generators and producing electricity is easy
and could easily be achieved, however the big problems lie in the
transmission and distribution sub-sectors. These sectors have not
received the attention that is due to them.

Due to the big problems associated with the electricity sector, the water and sewerage
sectors have not been accorded the attention they deserve and no plans have been
made to cater for their expansion or further development.

Eventually I think they should be separated, yes I think sewerage and
water should be separated from energy because I think one tends to
suffer in terms of attention and direction when they are lumped
together. We haven't given as much attention to water and sewerage as
we gave to energy and these are also very important.

5.6.2.4 Private Sector Participation

The actions of the Gambian government have lowered the confidence of the private
sector in investing in The Gambia. The government has twice terminated contracts
with private sector participants in the electricity industry (MSG and Bassam). It has
also, in the recent past, seized the assets of a private entity (Gambia Groundnut
Council (GGC)), and accused it of wrongdoing and money laundering, although it offered no proof and later backed down and tried to secure an out of court settlement.

*If I was a major investor and wanted to invest in sectors such as groundnuts or energy, I will think twice because I cannot recover my investment in one day or in one year, and I would want to recover my investment over time. In fact that is the best thing for government that investments are recovered over the longest time possible, so that the costs that come as a result of those investments will be sustainable and affordable to industry and to consumers. I will think twice, I will ask myself don't I stand the risk of putting huge investments only to be asked to walk out the next day? Money does not come easily because if it came easily we would not be looking for foreign investors. I think government has to resolve the GGC case amicably, and then they also need to take steps in their actions to assure the entire investment world that that was an error and it is not our nature to do that, and it will never happen again in this country.*

There was a general apprehension to the concept of privatisation, especially foreign participation (European), from managers within the sector. Most managers intimated that they would prefer Gambian privatisation, or in its absence, the sale of assets to private investors from other African countries.

*There is always a hidden agenda with these people, as they don't come here to help us develop the sector, they are only interested in making money. These white people are never here to help us, they are here for what they could get.*

*The reason why they are here is because our charges are high and they see an opportunity to make profits because they could cut down their costs and make a handsome return. That is why they are coming and not to help us develop. This should be borne in mind by all and sundry.*

5.6.2.5 Resistance to Change

The resistance to change in Nawec was mostly confined to the senior levels of the company. The board was concerned about the costs and motives behind the need for
the new organisational structure. Some board members felt that the status quo should prevail.

Management always comes with proposals to change the structure of the company, and most times these have been based on what pertains in other parastatals and not on what is actually needed. The recent creation of the director positions was a consequence of senior managers wanting to reward themselves with all types of allowances, such as responsibility allowance, professional allowance and the like. They fought very hard for these positions and eventually the board had to agree, even though a few were sceptical of the proposal.

Some senior managers in Nawec, who thought they would lose out with the adoption of the new structure, vigorously opposed it.

This is not what they want to do, they want to promote everybody at once including the director and give f****** responsibility allowance and what. I don’t think that is the way forward and just to create new positions just to put people there and they don’t do anything. What are the directors doing? What is my director doing for me? Nothing, I do all the work and pass it on to him. It adds to the bureaucracy and you create that position, and you leave the poor boys who are doing the work without any salary increment.

5.6.3 Outcomes of Change

The outcomes of change programme during the Nawec era were very positive. The utility sector had never been profitable under the GUC and UHC eras. However, this all changed during the Nawec era.

Well I must say that the sector under Mr. Baldeh had started to turn for the better. It was gratifying to note that, for the first time in its history, the utility sector actually registered a profit. I think this was attributed to the fact that it was the very first time that the management team started to work as a team.
The utility sector, for the first time in its history, was able to carry out major projects that expanded generating and transmission capacities without external support. A new 3.4MW engine was installed and, together with the Gampower arrangement, capacity was increased by more than 50%.

You can see that since MSG left, electricity supply has been extended to several new places, and several places have been electrified. Since 1995 to date, capacity has almost doubled and our customer base has increased tremendously. Now we have electricity most of the time, especially for those who have electricity installations, except when one of our big engines is on maintenance.

The board put in place control measures to curb excessive management spending and corruption. Management also put in place control mechanisms to curb corruption at lower levels and measures to limit malpractice within Nawec. Control in the technical areas was also strengthened to minimise theft and pilferage, especially of diesel.

Mr. Baldeh put structures and control in place and not a single pole could be erected now without people knowing. I think that was a very good thing.

More attention was focused on administering to the needs of consumers. Consumer disputes were sorted out by allowing them to pay fifty percent of the disputed amount and then enter into negotiations with Nawec on resolving the disputes. A new prepaid meter was introduced to enable consumers to control their energy consumption. A consumer affairs division was also created to deal exclusively with consumer affairs. Some outsourcing was carried out as the Nawec management realised that there was too much work internally for the staff to handle. The management felt that greater
efficiencies could result if a limited outsourcing strategy was applied in a few areas of its operations.

The other thing is that people want their services immediately, they do not want to wait for three to four weeks as in the past. We have started giving out network expansions to private consultants, and that was one area we outsourced. We also outsourced some recruitment and we got KPMG to do some of this for us. Fuel and certain inputs we do through tender and the IT portfolio is done by Quantum Associates. There is talk of billing but it is a step by step process.

There was a favourable change in the management culture in Nawec from the management culture in the GUC era. Managers were more aware of their responsibilities and were better trained to handle these than before.

I think we have matured and developed so much over the years because I guess it is the exposure that most of us have. This is just a stepping stone for better things and you develop yourself; you understand that each of us is a co-owner and everyone has something to contribute and we should be able to tap the attributes of one another. The focal point here is to get the job done and if it is done, and if it is the primary focus, then there should not be any problems and this was something that was lacking before.

There was also a heightened sense of professionalism among the management team. Most of them were not prepared to sacrifice their principles to meet the personal gains of politicians.

Now people are leaving their jobs not because they are looking for job security, but because they don't agree with the style of management and the principles of management, and they are unhappy with the way things are going. They have the opportunity to air their views. Now it is management by consensus and this is what was lacking in GUC.
There was also a guiding management philosophy in Nawec that was absent in the pre-Nawec days as explained by a senior manager in the company.

*We combine speed and care. We want to move fast today on everything and we also want to be so careful that we do not lose track of the essential elements.*

The change in culture at the lower level brought about by MSG continued for a time, as workers knew that if they didn’t perform well they would lose their jobs. However, with a Gambian management team at the helm, things started to slip again at the lower levels of the company compared to the situation in the GUC era.

*There is a change in the culture that was developed during MSG. However, people here now feel that it is government and that the white master is not there anymore. For me I take cognisance of the social, cultural, and traditional issues, and if I have to do something, even though I have the mandate and the authority, I don’t just exercise it because of the social consequences.*

The changes that took place at the senior management level in 1999 adversely affected the senior management culture in Nawec. The senior management team was demoralised by the sacking of a MD who had done so much to foster change within management ranks and to make Nawec a company that every manager would be proud of.

**5.7 Summary**

The GUC was formed in 1972 to provide utility services in The Gambia. GUC was set up as a parastatal to operate on commercial lines with a board of directors appointed to govern its affairs. GUC’s operations were, however, plagued with interference from government and politicians, as well as internal infighting resulting
in the under-performance of the company. The World Bank and the IMF were invited
by the government to help revive the economy, which was in a state of decline as a
result of a worldwide economic recession in the eighties. GUC was one of the
industries in the Gambian economy that was reformed as part of the World Bank/IMF
programme. The WB/IMF insisted on more private sector participation in the
industry, and the operations of GUC were contracted out under a management leasing
arrangement to Sogea who formed a company called MSG to operate the assets. The
government formed a Utilities Holding Company (UHC) to own the assets, carry out
major investments in the electricity industry as well as monitor the performance of
MSG.

MSG downsized the GUC workforce by thirty percent and introduced commercial
concepts into the utility sector. The contract between UHC and MSG was hastily
drawn up and lopsided in favour of MSG, resulting in disagreements and antagonism
between the parties to the contract. The antagonism and disagreements coupled with
growing consumer dissatisfaction led to the termination of the contract by the military
government in 1995. The government assigned responsibility for the sector to UHC.

In 1996, the government transformed UHC into a limited liability company called
Nawec to facilitate the introduction of more private sector participation into the
industry. During the Nawec era, the MD showed exceptional leadership skills, which
was characterised by his style of management embodying consultation, participation
and collaboration. During the Nawec era, Nawec entered into a joint venture with
Sogea and together formed a company called Gampower. Gampower became The
Gambia's first Independent Power Producer and the electricity generated by Gampower's G11 was sold to Nawec.

The changes made by Nawec were internally driven, and the company was able, for the first time, to expand its asset base, introduce new management techniques as well as record a profit.

This chapter has described the changes in the Gambian electricity industry. Analysis of this case together with the case on the changes in the New Zealand electricity industry is carried out in the next chapter.
6.1 Introduction
This chapter compares the change process undertaken in New Zealand and The Gambia. The reasons behind the privatisation concepts adopted by both countries in the process of undergoing organisational change have been identified. The chapter explains the change objectives and the process in light of the extant literature discussed in the third chapter.

6.2 The need for change
As elsewhere, the potential of electricity as an engine of growth resulted in significant government participation in the electricity industries in New Zealand and The Gambia. This inherently led to the adoption of structures that were similar to the civil service structures in both countries, although in New Zealand the distribution of electricity was the responsibility of local government.

In New Zealand, change became necessary when the economy started to decline in the late seventies after the failure of the “think big” programmes of the Muldoon government (Massey, 1995; Easton, 1997). Foreign debt escalated, inflation was high, economic stagnation endured, the budget deficit became increasingly larger (Bollard and Buckle, 1987; Kelsey, 1993) and New Zealanders were faced with a declining standard of living. During this period of decline, the government controlled a large percentage of the New Zealand gross domestic product (GDP) and the
government was also involved in many commercial activities. The government sector was perceived to be less efficient than the private sector and on a coarse measurement, the amount of assets under the control of the government was much higher than the percentage of GDP contributed by those assets (Duncan and Bollard, 1992; Massey, 1995). It was felt necessary to do something to get the government out of business, as the government wasn't doing a good job running the businesses it controlled.

In New Zealand, the goal was achieving efficiency whereas in The Gambia it was to achieve expansion. Although the economic situation in The Gambia wasn't immune to worldwide trends, change was necessary because of the need to expand the generation, transmission and distribution of energy from that which was inherited from the colonial period. No meaningful development could have taken place with the infrastructure that was left by the British at the end of colonisation. Consequently, after independence in 1965 the government initiated a change programme to bring about the much-needed expansion in the industry, with the hope that this would catalyse development.

According to Garner (1983) and Mascarenhas (1991), the poor performance of public enterprises, in most cases, could be traced back to the institutional framework put in place by governments. The institutional framework in both countries resulted in the under-performance of the public enterprise sector, and this precipitated the changes that were embarked upon. Tichy and Ulrich (1984) and Isabella (1992) refer to events, such as under-performance, that lead to change as trigger events. Deane (1995) believes that sometimes before effective change can take place “it helps to
start with a crisis, or at least with a set of circumstances which force people to reassess the existing ways of doing things and to think about new ways of delivering value” (p.4). Porras and Silvers (1991) note that organisational change is usually triggered by a relevant environmental shift and leads to an intentionally generated response. In New Zealand a foreign exchange crisis precipitated a holistic look at the economy and resulted in the change programmes that were undertaken. In The Gambia poor economic performance and a burgeoning budget deficit coupled with a lack of adequate electricity have been the driving forces of change. Ramamurti (1992) and Bruno (1996) posit that macroeconomic crisis is usually a driving force for privatisation.

In order to reform their public enterprises, both countries relied on various pieces of legislation (reviewed in Appendix One) to bring about change in the institutional frameworks governing the industries to be reformed. These pieces of legislation allowed the organisations to adopt structures that would make the organisations more commercial. The legislation in both countries catered for the shifting of the electricity industry from government department status to government company status. The legislation required the introduction of private sector practices in the form of commercial objectives in both countries. A review of the legislation guiding the reform process in both countries revealed many similarities such as the heavy influence agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983a, 1983b) had in designing governance and control mechanisms.

The need for change in New Zealand continued to be driven by the need for increased efficiencies in the economy and all the changes that took place were guided by this
objective. In The Gambia the need for change was initially driven by the need for expansion however, this later on shifted to include efficiency objectives as well. There was a need for any expansion of the electricity system to be accompanied by efficient means of production and distribution. Despite the similarities of the causes driving change and the similarity in legislation, the outcomes of the change process were different in the two countries. This was mainly because the institutional context which surrounded the changes in the two countries were different and the manner in which change was implemented in the two countries was also different.

6.3 Focus of change

The transformations that took place in both countries saw the evolution of government departments into commercial entities embodying private sector concepts. In some cases the transformations involved the complete reallocation of property rights, especially within the distribution sector of the electricity industry in New Zealand.

The concept of change in New Zealand had, to a large extent, been institutionally driven. By the time the changes were implemented in New Zealand, the institutional environment was composed of rationalising myths relating to markets and private ownership. In The Gambia, on the other hand, such an institutional context was absent. The ideology guiding the reform programme in New Zealand had largely been to inject more private sector practices into the public sector. Castles, Gerritsen and Vowles (1996), note that the changes in New Zealand could be put down to the fact that similar changes were being encountered in other countries where there was an enthusiasm for deregulation and economic rationalism from the political right (Reagan, Thatcher, Kohl). There was a substantial body of literature on privatisation
and deregulation that was available to some very influential people in New Zealand (Treasury officials and members of the New Zealand Business Roundtable). These people believed that economic rationalism was the only means to attaining economic efficiency. They were able to convince some politicians in the fourth Labour government and they accepted the ideologies as the best way to bring about economic reform in New Zealand. These politicians were able to overcome political obstacles and push through the reforms.

Scott and Gorringe (1989) traced the theoretical and other influences that shaped the reforms in New Zealand. They concluded that the changes were influenced by organisational economic theories, most notably agency theory. Boston et al (1991, 1996) also identified the ideologies guiding the reform programme in New Zealand. They concluded that, in addition to organisational economic theories, public choice theory and the new public management theories influenced the reforms. According to Duncan and Bollard (1992), there was a single clear objective underneath all the various ideologies guiding the reforms – the maximisation of commercial performance. These writings and ideas permeated the institutional environment and constituted the framework and interpretive scheme (Greenwood and Hinings, 1993, 1996) for change in New Zealand.

There was no single clear objective in The Gambia such as that espoused in New Zealand. Although economic efficiency was important, so was the expansion of the system to catalyse development, as well as the creation of jobs for Gambians. The focus of change was thus multi-pronged and became blurred from the onset. Another factor that added towards blurring the focus of change was the integration of three
separate businesses into one. Management, in addition to electricity, also had to deal with water production and distribution as well as the disposal of sewerage. In most countries, water production and sewerage disposal are usually treated separately as managing these alone could be quite difficult. The combination of all three functions into one company in The Gambia led to a multiplicity of objectives unlike New Zealand, where the focus was just on electricity and the maximisation of commercial performance.

During my interviews and as a result of my engineering background, I found out that some of the real problems faced in the Gambian electricity industry were not really being addressed. The efforts of the electricity authorities were only directed towards increasing generating capacity with little or no attention being paid to the other sectors of the industry. However, there were a lot of problems associated with the network as the present network, which in some areas was installed well before independence, would be incapable of transmitting any increased generating capacity. This raised the issue of focus or the lack of it. By dwelling on generation, the desired economic efficiencies in the sector would not be attained because the sector would have more generating capacity than it could transmit. Generating plants would therefore not be running at their optimum output, reducing the technical efficiencies of the sector. This lack of a clear objective and focus of change is not immediately noticeable because of the present lack of generating capacity. However, this would become more evident whenever new capacity is installed as the present problems being faced by consumers such as blackouts and low voltage levels would continue. This lack of a clear focus of change in the electricity industry puts the whole change programme at risk in The Gambia.
The importance of maintaining a clear focus during change was also evident in New Zealand, where anecdotal evidence suggests that trying to do too many things at once blurs the focus of change. Newman (2000) argues that too much institutional change could result in the non-achievement of change objectives. The outcome of the 1998/99 changes, which involved the splitting up of generation and the separation of the lines business from the energy retailing business, was supposed to result in lower prices for end use consumers. However, the prices to domestic consumers, since the introduction of the reforms, have risen in all cases and the objectives of lower prices in the sector have not been achieved. Previous changes in the New Zealand electricity industry had been piecemeal in nature and limited to either the generation or the distribution sector. This piecemeal nature enabled focus to be maintained at all times. Many of the change objectives during the piecemeal change programme were achieved.

6.4 Government interference

The legislation governing the utility sector in The Gambia provided for the independence of the organisation in commercial decision making. However respondents, who worked in different eras in the evolution of the sector, complained of persistent government interference in the electricity industry.

Jennings and Cameron (1987) note that political interference could lead to politically motivated appointments, the results of which may give rise to inferior quality of managers. The quality of the managers in the Gambian electricity industry came up in almost every interview as the cause of the problems faced by the industry. I was
also able to detect this poor quality especially at the level of government where officials responsible for policy were unable to understand some of the basic concepts, such as privatisation, that they were attempting to explain to me. These same officials were members of the board and were involved in drafting policies that were under consideration by government at the time of the interviews. I was a bit worried about the outcomes of any programmes that were designed by them. Prebble (1996) in his book "I’ve been thinking" posits that the attainment of economic objectives can only come about with the right leadership. There was an absence of the right leadership in The Gambia, especially within the government. Government officials were largely responsible for most of the economic policy decisions that were made and these adversely affected every industry and more particularly the electricity industry. Niskanen (1971) and Buchanan (1972) note that politicians and government officials impose objectives on organisations that might help the politicians to gain votes and the government officials to remain in their jobs, but these objectives might conflict with efficiency objectives. The government officials I interviewed in the various ministries in The Gambia seemed to lack the experience and competence to provide the right direction for policy development. Lack of an appropriate and robust government policy would inevitably be translated to the industry. A flawed policy would only lead to a flawed change programme and the non-achievement of change objectives.

There was political and government interference in the managerial selection process in The Gambia. The appointment of managing directors in the utility sector was the prerogative of the President. All major managerial decisions had to be passed through the government before a final decision could be made. The capital and operational
budgets of the sector had to first go through the board, then the shareholding ministry, the National Investment Board and then the President’s office making it a long-winded process and the budgets were never approved on time. The interference in the industry slowed down the change process and important decisions could not be made on time, due to the need and time taken for approval from government to be obtained. This adversely affected the change process and the poor results of change in The Gambia could be partly attributed to the repeated government and political interference in the entire economy.

There is a need for some amount of government interference in any change process, however changes that involve movements away from government departments to more private sector participation should have governments develop appropriate policy to ensure that there is a level playing field to facilitate competition. Governments should therefore not be concerned with operational issues but rather with issues such as policy, strategy and regulation.

6.5 Downsizing

During the process of change in New Zealand, downsizing was used as a tool to get rid of those who opposed change, as well as the unproductive members of the workforce. Downsizing was consistent with the institutional norms of efficiency and productivity. In The Gambia, downsizing was politically unacceptable and during the change process, except the MSG change, the organisation continued to carry more workers than was deemed necessary by management. The reason for carrying excess staff was due to the fact that the organisation was a public parastatal answerable to the government and the retrenching of staff had political connotations that the
government had to be prepared for. The company could just not retrench staff of its own accord. The government was therefore involved in all decisions that involved the laying-off of staff. The unwillingness to downsize the workforce in The Gambia was a consistent behaviour in public enterprises all over Africa as Ghai (1983) found out in his study on African public enterprises. During the MSG era, government interference was reduced and the management contractors were able to downsize the workforce by thirty percent.

Cameron, Freeman and Mishra (1991), in their study of organisations in the United States automobile industry, concluded that the manner in which downsizing occurred was more important than the amount of people laid off. The initial downsizing exercises in New Zealand and that of MSG in The Gambia were similar in that workers were given very little notice of impending job losses. Apart from the redundancy payments given to workers, no exit strategies were put in place for the workers who lost their jobs and no counselling was arranged for those who survived and stayed on in their jobs. Such a treatment of employees according to Labib and Appelbaum (1993) has a “major negative impact on the organisations themselves, on their surviving and terminated employees, on the government, and on society as a whole” (p.69). I have over my working life and during data collection interacted with people who were either laid off or were connected in one way or the other to people who were laid off in The Gambia. All of them mentioned the traumatising period they underwent and put the blame squarely on the government for not doing anything to help them. The majority of the people in The Gambia were thus averse to further changes that had the potential of resulting in redundancies. This change averse syndrome is corroborated by a number of researchers in psychology, who according
to Labib and Appelbaum (1993), have found out that a high degree of stress on many levels is experienced not only by employees, but by their families as well.

6.6 Privatisation

Most respondents in the study in New Zealand suggested that further privatisation where there was a total reallocation of property rights was the next logical step after corporatisation, which had introduced commercial concepts into the industry. The property rights associated with the industry under corporatisation were non-transferable. This according to Jennings and Cameron (1987), Vuylsteke (1988), Wortzel (1988) and Deane (1989) reduced the incentives for satisfactory performance by agents. It was widely believed that further privatisation in New Zealand would minimise the problems associated with poorly defined property rights. Various lobby groups were trying to get the government to move towards full privatisation as the SOE model, they argued, was fragile and could be subjected to conflicting political goals (New Zealand Business Roundtable, 1992). Conflicting political goals in public enterprises was also an issue that had been taken up by the World Bank and studied by some of its economists. In one of the Bank’s publications, Kikeri, Nellis, and Shirley (1992) pointed out that some SOEs had been efficient and well managed for some periods, but continued government ownership seldom permitted sustained good performance over more than a few years. They further went on to add that private enterprise presented a greater opportunity for efficient performance. The drive for governments to adopt privatisation programmes that involved the full reallocation of property rights, according to Cook and Kirkpatrick (1988), sometimes results in economic efficiency issues being relegated to the back burner. This, according to Cook and Kirkpatrick (1995), was evident in New Zealand where considerable
efficiencies had been achieved through corporatisation and it was doubtful whether any more significant efficiency would result from a full privatisation programme. There was therefore a desire to move towards conformity (DiMaggio and Powell, 1983) in New Zealand to a full private sector model irrespective of the efficiency outcomes (Meyer and Rowan, 1977; Donaldson, 1995) because that was the prescription provided by the ideology and framework guiding the reform programme.

The authorities in The Gambia were also advocating privatisation, but for a completely different reason from that in New Zealand. The drive for further privatisation in The Gambia initially came from the World Bank, although more recently the drive for more privatisation has come from the realisation by the Gambian government that they do not have the financial capability of making the necessary investments required in the electricity industry. A World Bank Publication (1995) noted that most parastatals in many LDCs are significant burdens on government budgets; they hinder growth, impede market liberalisation and limit efforts to reduce poverty. The World Bank was therefore able to convince the Gambian government that privatisation was its only option for change. This was easily accepted by a government strapped for funding and in need of IMF/WB loans. The government therefore embarked upon further privatisation by entering into a management contract with a foreign company.

The Thatcher government in the UK in the early eighties embarked on an extensive privatisation programme which mainly involved the sale of assets. This privatisation programme led to “a massive expansion in the number of shareholders, billions of pounds have been raised for the exchequer, and state involvement in industrial
decision making has been drastically reduced” (Vickers and Yarrow, 1988: p.425). The experience with privatisation in the UK was widely acclaimed as successful (Pirie, 1988; Vickers and Yarrow, 1988) and was accorded legitimacy (DiMaggio and Powell, 1983; Zucker, 1987). Privatisation programmes were developed in other countries and it soon became a worldwide trend that became institutionalised. Privatisation has, thereafter, become an institutional myth and other notions of organisational form and structure are now unthinkable (Zucker, 1987).

The drive in New Zealand for privatisation, although ideological, was also in pursuit of legitimacy. Proponents of privatisation in New Zealand made reference to the British privatisation programmes and sent delegations to the UK as well as to other European countries such as Sweden and Norway who had undertaken reform of their electricity industries. Some Treasury officials were pushing for an imitative or mimetic adaptation (DiMaggio and Powell, 1983) of the British and European reform programmes. According to Suleiman and Waterbury (1990), “a measure adapted elsewhere can be imported more easily because it arrives wrapped in a certain legitimacy” (p.3). John Ikenbery (1990) described the mimetic adaptation of privatisation programmes as “a sort of policy bandwagon” (p.101).

Herbst (1990) notes that there is an emerging consensus that “African SOEs are extremely inefficient and tend to drain even more resources from the state than parastatals in other parts of the world” (p.234). This statement is very representative of the electricity sector in The Gambia, which led the government to seek assistance from the WB/IMF. Financial assistance from the WB/IMF was made contingent on liberalising reforms in the economy (Babai, 1988). Eisenstadt (1959) emphasised the
importance of the dependence of organisations on their social setting, particularly their dependence on external resources and power in influencing structural characteristics and activities. Herbst (1990) believes that most of the reforms in Africa could be traced directly to the demands of foreign actors. In The Gambia, programmes of reforms sanctioned by the WB/IMF have included the performance contract, the management lease contract in the electricity sector, and privatisation programmes in other sectors of the economy. The influence of external governments and external funding agencies in The Gambia’s economic programme is largely due to the fact that The Gambia is a poor country and depends on these international bodies for aid. Without external aid the government would be unlikely to meet its budgetary commitments and therefore has to comply with the wishes of the donor agencies in order to receive the aid.

6.6.1 Opposition to privatisation

Opposition to privatisation has been more vocal in New Zealand than in The Gambia. The level of democracy and political stability enjoyed in New Zealand has given rise to various groups having an interest in different activities and defending what they perceive as abuse in some cases. Some of the interest groups in New Zealand have been opposed to privatisation especially the variety that involves assets sales and programmes that lead to redundancies. Privatisation, as has been discussed in chapter three, is not only an economic issue but also a political one (Ramanadham, 1993; Frydman and Rapaczynski, 1994; Fligstein, 1996; Kogut, 1996; Ramamurti, 2000). Privatisation was a central issue in the general elections of 1996 in New Zealand and several parties campaigned against the sale of state assets. According to Vickers and Yarrow (1988) “differences in attitudes to public and private ownership are frequently
some of the main distinguishing characteristics of political parties. It may, however, simply be a reflection of beliefs either that the ownership of firms is a factor of relatively little economic importance and/or that public policy in this area is influenced much more by political philosophy and political expediency than by the niceties of economic analysis" (pp.1-2). Opposition to privatisation by politicians and interest groups in New Zealand has been the result of the perception that certain state enterprises are national symbols and therefore must not be sold, especially to foreign investors (Alkhafaji, 1993). There was also the issue of pride, and New Zealanders were proud of having built SOEs from scratch without foreign help and they did not want to lose control of this. Privatisation exercises worldwide have usually been accompanied by redundancies (Vuylsteke, 1988) and this perception of privatisation further fuelled opposition in New Zealand. Unions in New Zealand in particular have been very vocal over the last fifteen years and have vigorously opposed the gradual movement towards more private sector participation in the New Zealand economy. They claim that workers' rights have been trampled on, and past legislation, in particular the Employment Contracts Act 1991, has favoured employers to the detriment of employees. The electricity sector in New Zealand has shrunk from 15,000 employees to fewer than 3,000 employees since the commencement of the reform programmes in the mid-eighties.

No organised opposition to privatisation was discovered in The Gambia, mainly because of the absence of true democracy and free speech. The Gambia is supposed to be a democratic state, however there have, in the recent past, been detentions, abductions and a general disregard of the law and the judiciary by the government. Government behaviour and actions have instilled fear in many people and have
lessened their propensity to oppose change. A World Bank report (1995) noted that privatisation is an issue that has political ramifications and the presence of an authoritarian leadership in any country could lessen political opposition. Haggard and Kaufman (1995) note that authoritarian regimes rely on intimidation, manipulation and co-optation to restrict the activity of independent interest groups and political oppositions.

Opposition to privatisation was also low in The Gambia due to the very high illiteracy rates in the country (the IMF (1999) estimated that in 1997 67% of the population above fifteen years of age were illiterate). This high illiteracy rate meant that few people were aware of what privatisation actually meant. This reduced the potential for opposition to privatisation to the few people who were educated and knew what the impacts and consequences of privatisation were likely to be. However, most people spoken to, although they seemed to welcome privatisation, intimated that a cautious approach should be adopted towards the issue. The experiences of the MSG leasing arrangement and the other failed privatisation ventures in other sectors of the economy, particularly the groundnut sector which in the recent past was a major foreign exchange earner, were still fresh in the memories of most managers.

Privatisation in developing countries is a sensitive issue: potential buyers have to come from outside the country because indigenous citizens do not have the capital necessary to buy assets from the state (Frydman and Rapaczynski, 1994; Dinavo, 1995). There was a lack of trust in foreign companies purchasing assets in The Gambia mainly because of the experiences of MSG and The Gambia Groundnut Council. Most respondents were more interested to see foreign companies investing
in The Gambia becoming developmental partners rather than siphoning off the remaining wealth of the country to the West. There was also a preference to see African rather than Western partners in the electricity sector, because it was felt that African partners could best identify with the problems faced by The Gambia and Gambians. Dinavo (1995) attributed the slow pace of privatisation in developing countries to the memories associated with colonialism. It is feared that the wealth of The Gambia would be plundered in the same way as it was during colonialism and would remain under-developed. The Gambian President, in speeches, over the past five years has mentioned that during colonial times Africans were being taught nursery rhymes and being told that ‘learning is better than silver and gold’ whilst our ‘silver and gold’ (natural resources) were being shipped off to the West. At a Rotary Club dinner I attended in The Gambia, a speaker from the Gambia Chamber of Commerce opined that the move being dictated by the WB/IMF towards the liberalisation and privatisation of the Gambian economy was a means to colonise The Gambia both financially and economically. There was thus a general resentment of foreign domination of the Gambian economy. I subscribe to many African discussion groups on the internet and the general trend of discussion seem to suggest that the problems faced by Africans are a result of a conspiracy by Western countries to ensure that Africa remains underdeveloped. There is also a widespread belief that Western aid and investment packages are designed and implemented such that Africa remains under-developed.

6.6.2 Planning for Privatisation

The need for proper planning before embarking on a privatisation exercise has been emphasised by Marston (1987), Vuylsteke (1988), Montagu-Pollock (1990), Alkhafaji
(1993), and Dinavo (1995). The outcome of a privatisation programme depends on both the planning that takes place before the implementation phase as well as the implementation process itself. In New Zealand, privatisation had been an issue of discussion for more than a decade and careful planning programmes were undertaken as a result of the social and political implications of privatisation. Several publications on privatisation were written by government officials and scholars (see New Zealand Treasury, 1984, 1987; Bollard and Buckle, 1987; Jennings and Cameron, 1987; Deane, 1989, 1995; Bollard and Mayes, 1991; Duncan and Bollard, 1992; Massey, 1995). There have also been a thriving private sector and an active capital market for quite sometime in the country, both of which have facilitated the introduction of private sector practices into the public sector and the selling of some state assets and local government owned distribution companies.

There has been an absence of any meaningful private sector presence in The Gambia. The private sector largely comprises of a few businessmen who are largely importers of commodity items, such as food and textiles. Most of these businesses are family run businesses that do not employ professionals, but rather school dropouts. These businesses are mainly owned by Lebanese nationals and most of the profits are taken offshore and not retained for reinvestment in The Gambia. The lack of any significant private sector presence has hampered the introduction of private sector techniques into the economy. Most professionals are more attuned with civil service practices, which have been found to be inefficient especially in commercially oriented environments.
The idiosyncratic characteristics of an economy’s structure can profoundly affect the rules of exchange in its markets (North, 1990) and these differences can have a major effect on the outcomes that countries or companies can achieve through privatisation (Zahra et. al, 2000). Ferguson (1992) has identified some of the characteristics that are necessary before a privatisation programme may be able to achieve some of the objectives that are usually set in a privatisation programme. The characteristics identified by Ferguson (1992) have been compared between New Zealand and The Gambia and are shown in Table 6 below.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>New Zealand</th>
<th>The Gambia</th>
</tr>
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<tbody>
<tr>
<td>Financial Markets</td>
<td>Present</td>
<td>Absent</td>
</tr>
<tr>
<td>Domestic savings (to purchase shares)</td>
<td>Available</td>
<td>Scarce</td>
</tr>
<tr>
<td>Ability to value company</td>
<td>Easy</td>
<td>Almost impossible due to obsolete equipment</td>
</tr>
<tr>
<td>Private Property Rights</td>
<td>Clearly assigned</td>
<td>Very limited</td>
</tr>
<tr>
<td>Market Signals</td>
<td>Reflect scarcity</td>
<td>unavailable</td>
</tr>
<tr>
<td>Labour markets</td>
<td>Active</td>
<td>Scarce</td>
</tr>
<tr>
<td>Competition policy</td>
<td>Well developed in some areas</td>
<td>Absent</td>
</tr>
<tr>
<td>Market management skills</td>
<td>Present</td>
<td>Absent</td>
</tr>
<tr>
<td>Political will</td>
<td>Moderate</td>
<td>Partial</td>
</tr>
</tbody>
</table>

Unlike New Zealand, planning in The Gambia was carried out haphazardly. Poor planning, according to Jaycox (1988), is a problem that is rampant all over Africa. He noted that the lack of planning in privatisation programmes could be attributed to a weak human resource base in most African countries. This “human resource
inadequacy” (a category used during coding) was mentioned by several respondents during the data collection phase of this study. They noted that the managerial, technical and entrepreneurial skills needed to plan for commercial operations in general and a privatisation programme in particular were absent in The Gambia.

Most respondents mentioned that corruption was partly responsible for the poor performance and poor planning in the sector. Dinavo (1995) notes that mismanagement and cronyism have adversely affected most African economies. Cook and Kirkpatrick (1995) believe that the practice of corruption is the reason for the lack of transparency in most privatisation programmes in sub-Saharan Africa.

The planning of privatisation programmes should involve the careful selection of foreign partners to avoid the problems encountered with Sogea, where the selection criteria used was based entirely on price. Thomas (1987), in describing the legal considerations associated with management contracts, suggests that bids from contractors should be evaluated more on qualification and experience rather than on price.

The planning of privatisation programmes, especially in public utilities, must include regulation issues as some sectors do possess natural monopoly characteristics (Vuylsteke, 1988). A general regulatory regime was catered for in New Zealand by way of the Commerce Act 1986, which among other functions was to deter anti-competitive behaviour in the economy. No regulatory provisions were made for the changes undertaken in The Gambia. Exclusive contracts have been signed in the utility sector in The Gambia which, according to Kent (1987), should be avoided as
one of the virtues of privatisation is to allow competition to strive. Exclusive contracts stifle competition.

6.7 Quality of Leadership and Management

The reforms of state trading activities in New Zealand have been explicitly driven by agency theory (Scott and Gorringe, 1989; Boston et. al, 1991, 1996). The reforms in The Gambia have been implicitly driven by agency theory, although it is uncertain whether the authorities, especially government officials and electricity industry managers know this. The reforms have, to a large extent, been driven from Washington and Gambian officials have not taken the time to fully understand the principles guiding the reform process.

The legislation which guided the reform process in each country stipulated that a board of directors would be the governing body of the organisations. This separated ownership from control (Fama and Jensen, 1983a, 1983b) whereby the boards were responsible for decision control (ratification and monitoring) and management’s responsibility was decision management (initiation and implementation). Principal/agent relationships were established, which according to Jensen and Meckling (1976), is “a contract under which one or more persons (the principal) engage another (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent” (p.308). Fama and Jensen (1983a), argue that the “separation of decision management from control contributes to the survival of any organisation where the important decision managers do not bear a substantial share of the wealth effects of their decisions” (p.309). This is a view supported by Ghai (1983), who points out that such a separation “allows greater
efficiency because functions of government and the enterprise are clearly defined and understood” (p.185). The establishment of boards and management teams based on agency theory thus emphasised the vital nature of managerial authority. Managerial authority was deemed essential to facilitate change and prevent undue interference especially from the governments in both countries.

The range of duties of the boards in New Zealand were more extensive than those in The Gambia and included the hiring, firing, the setting of the remuneration of the top level decision managers, as well as the ratification of important decisions. In The Gambia the appointment of the MD was the prerogative of the President, thus bringing politics into the process. The appointment of people to serve on the senior management team was supposed to be undertaken by the board however, in most cases directives were received from the government on who was to be appointed. After the military coup of 1994, the President and/or the other four members of the ruling military council sanctioned most of the appointments to senior management positions. Although a democratically elected government has been restored most of the appointments to senior management positions are still politically sanctioned. Ghai (1983) also found similar situations of selection interference in various African countries.

In New Zealand, astute businessmen with considerable commercial experience, obtained mainly through their involvement in the private sector, were appointed to serve on the boards (Duncan and Bollard, 1992). A review of the annual reports of electricity companies in New Zealand reveals that board members not only had a variety of skills, but most of them also served as directors on other boards, mainly in
the private sector. Werther, Kerr and Wright (1995) stress the importance of the need of financial independence for board members. They believe that the dependence of board members on their board seats for income could make them vulnerable, as they would do anything, even to the extent of impropriety, to guarantee their seat on the board. The board members of all the New Zealand companies were financially independent and were gainfully employed in the private sector.

Most board members in The Gambia were not financially independent because most were from the civil service and received meagre incomes. Some of them were more interested in receiving board fees rather than in developing strategies. Board fees were paid after every board meeting and even when some board members did not attend board meetings they demanded the fees from the representatives they sent as they believed they were legally entitled to the fees as the substantive board members. Because of the financial situation some board members found themselves in, it was possible to influence the decisions made by the board by offering bribes to those who were especially vulnerable.

Change almost always requires new ways of doing things. This in most cases necessarily involves a new kind of leadership (Nadler and Tushman, 1989, 1990; Kotter, 1995). In order to attain the desired objectives of change, which in The Gambia was not only expanding the system but also enhancing its efficiency, leadership of change was important, and it was therefore essential that the right leadership was put in place. The successes recorded in the New Zealand electricity industry, according to Spicer et. al (1996), were due to the complementary leadership of both the boards and the management teams. This complementary leadership was
absent for most of the changes in The Gambia where the boards were comprised of civil servants and political stalwarts who lacked the commercial expertise necessary to bring about the desired outcomes. The chairmen lacked commercial experience and in most cases were usually retired civil servants who were being rewarded for past political loyalty. This was consistent with what Pozen (1976) and Teriba (1978) discovered in two separate studies undertaken on public enterprises in two different East African countries. Ghai (1983), in a study of African public enterprises, found out that one of the reasons for the failure of parastatals was a lack of commercial expertise and orientation of boards and management. Ghai (1983), also noted that while civil servants may have some skills and are closer to the thinking of government, they “are not sufficiently oriented to the exigencies of the industrial and commercial world” (p.193). Barberis et. al (1996) note that civil servants are good at dealing with politicians and possess the wrong skills when faced with competitive market conditions. In other words civil servants are not competent enough and do not possess sufficient experience to lead commercial organisations. There was also some animosity and antagonism in The Gambia between some of the boards (during the different eras of change) and the management team. This, coupled with the political nature of some appointments and the camp culture that ensued especially in GUC, eroded trust in the industry and the complementary leadership that is so important in a change process between the board and the management team.

This thesis supports the organisational change literature which suggests that leadership is important in any change process (Kanter, 1983; Tichy, 1983). The study shows how the composition of the various boards in the two countries has affected the outcomes of change. In cases where a board understands the commercial
environment in which the company operates, and has members with the right commercial skills, the likelihood of attaining the desired outcomes of change are greater, as revealed by the New Zealand case. In The Gambia the initial make up of the boards was poor and there was a dearth of commercial experience in the company. The initial results of the change programme, as a result of the poor leadership, were poor. Most of the objectives of change were not achieved. It was therefore necessary to undergo further changes, as the objectives of expansion and efficiency had not been achieved. According to Newman (2000) when managers do not understand the concepts that underpin the reforms and what is expected in the new environment, they are unlikely to be able to function effectively. However, there was an improvement in the composition of the boards especially during the UHC and Nawec eras and the outcomes of the change programme gradually improved. The continued presence of public officials in the boards under Nawec however, still posed a problem, as consistency could not be maintained. Representation on the boards was not consistent and there were cases when decisions were taken only to be reversed later because the substantive board members were not present and they disagreed with the decision arrived at in their absence. This inconsistency in board representation results from the fact that the property rights associated with the electricity industry in The Gambia is not vested in the board members (Furubotn and Pejovic, 1972; Jones, 1983). There was no insurable risk attributable to members of the board. According to Jones (1983), property rights tend to influence incentives and behaviour and it will vary according to whether the rights are vested in the person or the position held by the person.
The need for strong leadership in implementing change has been emphasised by the organisational change literature (Kanter, 1983; Tichy, 1983; Tichy and Ulrich, 1984; Nadler and Tushman, 1989, 1990; Kotter, 1995) and its importance has already been discussed with regard to the composition of the boards in New Zealand and The Gambia above. Changes as those undertaken in New Zealand and The Gambia could best be described as discontinuous or “frame-breaking” (Tushman, et. al, 1986; Nadler and Tushman, 1989, 1990; Van de Ven and Poole, 1995). Most of the changes in the two countries, as have already been discussed, were in response to trigger events (Isabella, 1992; Deane, 1995) in the external environment. Discontinuous changes, according to Nadler and Tushman (1995), involve a complete break with the past and a major reconstruction of almost every element of the organisation. Tushman, et. al (1986), have described discontinuous changes as involving simultaneous and sharp shifts in strategy, power, structure and control.

A feature of discontinuous change is the introduction of “outside influence” or new executives to lead the reform process (Tushman, et. al, 1986). This new guard is expected to bring in new ideas and overcome organisational inertia. Tichy and Ulrich (1984), believe that the outside influence is needed to bring about change because psychologically it is very difficult for people to change especially when they were party to creating the problems they are trying to change.

The use of outside influence was an area where the two countries differed considerably. The changes in New Zealand were characterised by the fact that most of the executive teams set up to bring about change were made up of people who had never been in the industry. In The Gambia, the executive teams were made up of
people who had either been in government or had been in the employ of the
corporation. In most cases, it was merely a continuation of the status quo. The only
change that saw the introduction of outside influence was the MSG change, which had
an executive team made up entirely of foreigners. One of the reasons for not having
outside influence in The Gambia was to preserve the engineering dominance, which is
still prevalent in the industry. There is a general feeling in The Gambia that engineers
are more intelligent than commercial people. This has become institutionalised in the
education system as schools put students who are underperforming in the commercial
stream whilst the bright students are put in the science streams. Many engineers I
spoke to mentioned that as an engineer one could become an expert in commerce and
become a manager whilst an economist or an accountant could never become an
engineer neither could they even appreciate and understand the complexity involved
in dealing with electricity. The absence of a thriving private sector also contributed to
the engineering dominance and the absence of outside influence in the changes in The
Gambia. There was a lack of the necessary skills in the country required to run
successful commercial businesses. The economy was dominated by government
controlled companies, and these companies were more interested in technical and
administrative competence rather than commercial excellence. The management
teams in the electricity sector were therefore engineering oriented to cater for
technical competence. This engineering dominance contributed significantly to the
poor performance of the sector, as commercial and economic practices were not
adopted in most of the changes in the electricity industry in The Gambia. The poor
commercial and economic practices were manifested by the pricing mechanism
adopted for the industry. No economic model was utilised to determine the price of
electricity, managers chose a price they felt would result in the company making a profit.

Hambrick and Mason (1984) and Hambrick (1987) posit that the performance of an organisation is a reflection of its top managers. Due to the lack of the required managerial skills, performance was low in The Gambia. The training of managers coming from a civil service background, according to Abernethy (1988), makes them averse to personal or organisational risk taking and makes them unsuitable candidates to take charge of parastatals that are supposed to operate in a commercial environment. Almost all respondents in The Gambia emphasised the dearth of skilled personnel, especially during the initial stages of the reform process. This shortage of skilled and competent personnel has, to a large extent, been arrested within senior management ranks in the Nawec era. There has also been a limited number of outside influences especially in areas of finance to increase the level of management capability within the company. The senior management team has also become more competent than the teams of the past. However, problems still exist at the middle management level, where the company is unable to recruit new staff especially professionals, as they are not readily available in the country.

Successful transformations require executive teams which would not only be responsible for change but which would also design systems that would support change (Nadler and Tushman, 1990). Shaw (1995) notes that “the CEO is the single most important factor in managing discontinuous change” (p.69). Duncan and Bollard (1992), after studying several former government departments which had undergone corporatisation in New Zealand arrived at the same conclusion as Shaw.
(1995). They concluded that the CEO had a pivotal role to play in the change process. The CEO in a change process, especially in a discontinuous change process, should be largely responsible for the team and should play a significant role in the team’s selection. In New Zealand the CEOs, in co-operation with their respective boards, were responsible for putting together the change teams. In most cases team members had considerable private sector experience and shared similar values with the CEO (Hambrick, 1987).

Most of the MD’s in The Gambia were not involved in the selection of their executive teams, and the subsequent poor performance of the organisation led to several changes in the executive teams. Harrison, Torres and Kukalis (1988) support changes made to executive teams as a result of poor performance. They argue that in cases where performance of an organisation is poor it makes common sense to bring in a new leader who might be able to make improvements in performance. The average tenure of a MD in The Gambia was two years because of the continuous poor performance of the industry. However, frequent management changes during a discontinuous change could be disruptive, as was found out in the Gambian industry. The frequent change stifled initiative and decisions were not taken because managers were unsure of the consequences of their decisions. Managers were also unsure of the length of their tenure in the organisation, as they were not on fixed-term contracts and could be fired at the will of the President.

The more successful changes in The Gambia occurred during a period where the management capability within the company had increased from what it used to be under GUC. Nawec had a staff of eight hundred and fifty employees and there were
more staff members who had acquired degree qualifications than anytime previously in the company’s history. Out of the eight hundred and fifty employees, nine had degree qualifications to masters level, twelve had degree qualifications to the bachelors level, and one had a higher national diploma. Most of the senior management team in Nawec had also acquired business-related qualifications to complement their engineering degrees.

Tushman, et. al, (1986) argue that changes, similar to the ones undertaken in The Gambia and New Zealand, require direct leadership from the top as to where the organisation is going and how it is to get there. The data from this thesis show that wherever strong leadership is present the changes have achieved most of the objectives that were set and where strong leadership is absent the changes have somewhat faltered and the change objectives have not been met. A characteristic of the changes in New Zealand has been the strong leadership that has come from outside the industry. The existence of a fully functional private sector facilitated the reforms as experienced executives were recruited from the private sector to lead the process of change. Spicer et al (1996) note that the reforms achieved most of their objectives due largely to the complementary leadership provided by the board and the senior management team, coupled with the absence of government interference in operational matters. The changes in The Gambia initially suffered from a lack of strong leadership. This lack of leadership was partly due to the lack of the required skills to lead change and the lack of a functional private sector which could have facilitated the recruitment of change agents. However, the evidence from the Gambian case study shows that the calibre of leaders in the board and the senior management team improved significantly during the UHC and Nawec eras. The
objectives of change were gradually being met although the rate was slow due to the various constraints faced by the management in The Gambia particularly the political and financial constraints.

6.8 Teamwork

In the process of undergoing organisational change there is a need for executive teams to work together and complement each other in the team (Prebble, 1996). During the process of change different skills, capabilities, styles and value orientations are required to both lead change, as well as to manage the reconfigured organisation (Nadler and Tushman, 1990). Goss, Pascale and Athos (1993) believe that enough people need to be involved in order to create the necessary momentum to carry the change process forward. The team leading change must be able to bond together to create the right synergies such that the performance of the whole is greater than the sum of its parts (Ancona and Nadler, 1989). Hambrick (1997) believes that organisational performance is dependent on the sum of characteristics, behaviours, and experiences of the entire senior management team and how they are able to work together as a team.

Data from my interviews in New Zealand pointed out that the teams leading change, although coming from diverse backgrounds with a variety of skills, were able to blend these skills and work together. The working ethos in the various organisations completely changed and the emphasis was on team play, team behaviour and supporting one another in the team. This supportive nature was not only present at work, but it extended outside work and most members of a management team ended up socialising, especially those in the smaller electricity companies. Communication
channels between team members were opened up and it became easier to get things done. Frequent and open communication, according to Ancona and Nadler (1989), is essential in the midst of a discontinuous change. In one organisation in the New Zealand electricity industry in order to facilitate open communication and to make the environment more suitable for teamwork, all the executives were put on the same floor and they thus had easy access to one another and consulted each other more frequently than before.

In The Gambia, the GUC era was one that was characterised by infighting within the executive team. This infighting led to the establishment of, what later became known as, the "camp culture". The "camp culture" was a culture where allegiances within the organisation were divided and fiefdoms were created. Most of the employees in the senior and middle management levels belonged to camps and owed their allegiance to the leader of the camp. Those who belonged to camps looked up to the "camp leader" to look after their interests and help them progress within the organisation. The "camp culture" created a charged and unhealthy atmosphere, which affected the efficient functioning and performance of the organisation.

The management style of the MDs in the GUC era was autocratic and participation from other members of the management team was not encouraged. No management meetings were held, and in most cases the MD took all decisions unilaterally without consulting anyone. The charged atmosphere within the organisation caused by the camp culture compounded by the frequent changes in the management team led to the poor performance of the organisation. Ancona and Nadler (1989) argue that the aftermath of a succession decision can create interpersonal dynamics that make
teamwork difficult or impossible. Losing candidates in the succession decision often feel wounded and attempt to prove that a poor choice was made. This was a phenomenon that was experienced in GUC and every new MD wanted to discard everything from the past and start afresh. This resulted in a lot of stops and starts due to the frequent change in management and direction. This inevitably slowed down the change process and in some cases adversely affected the process.

The effects and benefits of having the senior management team working together in the utility sector in The Gambia were first demonstrated during the MSG era where the senior management team worked closely together. The senior management team, comprising of expatriate staff, was able to work together and there was a marked improvement in the sector (although there were other factors that also contributed to the improvement in performance). Under UHC and Nawec, the style of management changed from authoritarian to a collaborative and participative management style. This was mainly brought about as a result of a change in leadership. According to Gupta and Govindarajan (1984) the characteristics of chief executives are related to the strategies they pursue as well as how their organisations perform. Hambrick (1987) believes that the values of the CEO are translated to other team members and they exhibit values that are similar to that of the CEO. The new MD of Nawec was able to get senior management to work together as a team. This was translated downwards and members of the senior management team were in turn able to work together as a team with their subordinates. Under the UHC and Nawec eras, there was an air of openness and constructive candour within the team. No major decisions were taken without the knowledge and participation of senior managers. Top managers were rotated (Hambrick, 1987) to not only provide them with a knowledge
and familiarity of the operations of the entire organisation, but to ensure that within
the team there was provision for job enrichment. The new work ethos within the
sector was reflected in the performance of the sector as some of the objectives that
had been set were achieved. The quality of planning and decision making within the
organisation improved, and the team was able to make several strategic and
operational decisions without the help of external consultants. The new work ethos
was enabled by the fact that most of the members of the senior management team
were contemporaries. They had known each other since school days and had joined
the organisation around the same time. They had also risen through the ranks of the
organisation together. This close association of the members of a senior management
team, according to Michel and Hambrick (1992), had the effect of increasing team
cohesion. This increase in team cohesion had a positive effect on the performance of
the organisation.

The two cases studied have shown that in any change process cohesion within the
team implementing change is essential in order to achieve the objectives of change.
The poor performance during the GUC era could be partly attributed to the absence of
a cohesive team to push through the changes.

6.9 Conclusion

Change in New Zealand has largely been institutionally driven, whereas in The
Gambia it has been a desire to expand the provision of electricity and to rectify
previous change programmes that hadn’t achieved the objectives set. To achieve the
objectives of change it is necessary for a focus of change to be maintained at all times.
A narrow focus of change would likely lead to the achievement of the change
objectives than a broad focus of change. Government interference in a change process that seeks to minimise the role of government in business should be minimal or non-existent because government involvement tends to blur the vision and the path along which change proceeds.

Privatisation has been associated with the reallocation and reassignment of property rights. New Zealand opted for a privatisation programme in its electricity industry for ideological reasons as well as the legitimate status accorded privatisation as a result of the successes of other privatisation programmes in OECD countries. In The Gambia, the further introduction of a privatisation programme in the electricity industry was driven by the WB/IMF. Privatisation was seen as the only means of sustaining the level of investment needed in the economy. Opposition to privatisation was more vocal in New Zealand than in The Gambia largely due to presence of a working democracy in New Zealand and an authoritarian regime in The Gambia.

The changes in both countries were driven by agency theory. New Zealand opted to put experienced professionals from the private sector into boards, whereas The Gambia opted for people with political affiliation and civil servants. Management in New Zealand came from outside the organisation, whereas in The Gambia they came from government or within the organisation. The presence of a private sector in New Zealand facilitated the reforms, whilst the absence of a thriving private sector in The Gambia inhibited the reforms. Teamwork was shown to be important especially among the people implementing and driving the change process. The two cases studied showed that wherever teamwork was present the outcomes of change were more positive. Table 7 overleaf briefly outlines the changes carried out in the
electricity industries in New Zealand and The Gambia which have been discussed in this chapter.

Table 7 An overview of the changes in New Zealand and The Gambia

<table>
<thead>
<tr>
<th>Description</th>
<th>New Zealand</th>
<th>The Gambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for change</td>
<td>Economic efficiency</td>
<td>Expansion of electricity</td>
</tr>
<tr>
<td>Focus of change</td>
<td>Electricity industry</td>
<td>Electricity, Water &amp; Sewerage</td>
</tr>
<tr>
<td>Ideology guiding change</td>
<td>Private sector practices</td>
<td>Coercive isomorphism</td>
</tr>
<tr>
<td></td>
<td>Agency theory</td>
<td>Agency theory</td>
</tr>
<tr>
<td></td>
<td>Mimetic Isomorphism</td>
<td>Introduction of commercial practices</td>
</tr>
<tr>
<td></td>
<td>Maximisation of commercial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>performance</td>
<td></td>
</tr>
<tr>
<td>Govt. interference</td>
<td>Minimal restricted to policy</td>
<td>Significant interference</td>
</tr>
<tr>
<td>Downsizing</td>
<td>Extensive</td>
<td>Limited except under MSG</td>
</tr>
<tr>
<td>Private sector presence</td>
<td>Present</td>
<td>Absent</td>
</tr>
<tr>
<td>Privatisation</td>
<td>Distribution sector</td>
<td>Management Lease Contract</td>
</tr>
<tr>
<td></td>
<td>Contact Energy</td>
<td></td>
</tr>
<tr>
<td>Opposition to privatisation</td>
<td>Various interest groups and some</td>
<td>Minimal opposition</td>
</tr>
<tr>
<td></td>
<td>politicians oppose privatisation</td>
<td>African privatisation preferred</td>
</tr>
<tr>
<td>Planning for privatisation</td>
<td>Extensive planning in all stages of reform</td>
<td>No significant planning carried out</td>
</tr>
<tr>
<td>Leadership of change</td>
<td>Good leadership from the private sector</td>
<td>Weak leadership. Improved later on in Nawec</td>
</tr>
<tr>
<td>Management quality</td>
<td>Good</td>
<td>Initially poor. Improved later in Nawec</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Good present throughout change</td>
<td>Initially absent. Present later in Nawec</td>
</tr>
<tr>
<td>Change Drivers</td>
<td>Reforms internally generated</td>
<td>Reforms externally generated</td>
</tr>
<tr>
<td></td>
<td>New Zealand Treasury</td>
<td>The World Bank, the IMF</td>
</tr>
<tr>
<td></td>
<td>NZ Business Roundtable</td>
<td>Bilateral Donor Countries</td>
</tr>
<tr>
<td>Trust in Management</td>
<td>Present</td>
<td>Initially absent. Trust built up during Nawec era</td>
</tr>
<tr>
<td>Management competence</td>
<td>High</td>
<td>Initially low. Improved under UHC and Nawec</td>
</tr>
<tr>
<td>Communication</td>
<td>Extensive</td>
<td>Initially minimal but improved under Nawec</td>
</tr>
<tr>
<td>Selection Process</td>
<td>Transparent and fair</td>
<td>Politically controlled</td>
</tr>
</tbody>
</table>

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Chapter 7

Conclusions and Implications of the Study

7.1 Introduction

This thesis has examined the dynamics of change at both institutional and organisational levels by a comparative study of the process of change in the electricity industry in New Zealand and The Gambia. The conventional change management literature tends to view the institutional environment as relatively static and emphasises changes at the organisational level. The institutional literature on the other hand, understates changes at the organisational level. According to Greenwood and Hinings (1993), organisational and management systems are best understood if considered in holistic terms. Fox-Wolfgramm et. al (1998) argue that any study of change should adopt a multi-level perspective that simultaneously examines the institutional and organisational contexts within which change occurs. Without a multi-level study of change the interplay between institutional and organisational forces will be missed. Very few empirical studies have used a multi-level perspective. This chapter discusses the conclusions drawn from the data and the case studies in chapters four and five and the cross case comparison in the previous chapter using a multi-level approach.

The thesis argues that the outcome of a change process is dependent on whether change is internally or externally driven. The thesis also identified trust as an influential concept in the organisational change process and argues that it is central in determining whether the objectives of change (in this case the objectives of a privatisation programme) are achieved. A model of the organisational change process
incorporating the influential concept of trust has been developed. The chapter concludes by looking at the implications of the study for policy, managerial practice and further research.

7.2 *Initiation, Control and Implementation of Reforms*

One of the conclusions drawn from the previous three chapters is the need for change to be initiated, controlled and implemented from within (within the organisation or within the country). The empirical evidence obtained through data collection and analysis suggests that the outcomes of change are better when they are conceived and implemented from within. Any such change is more likely to be effective if it is supported by an appropriate institutional environment (Scott, 1995). The resulting change at the organisational level would then be the product of ideas, values and beliefs that originate in the institutional context (Meyer and Rowan, 1977; Meyer, Scott and Deal, 1983; Zucker, 1987). The thesis argues that change processes that are endogenous at both institutional and organisational levels are more likely to achieve their desired objectives when compared to changes that are driven exogenously.

This study has looked at change in the electricity industries in New Zealand and The Gambia. The changes in the two countries have occurred in distinct stages, facilitating the outcomes of the change process to be assessed at each stage. Data was gathered for all of the reform stages in The Gambia and all, but one, of the reform stages in New Zealand. However, anecdotal evidence obtained from the last stage of the reform process in New Zealand supports the conclusions reached in this thesis.
Most of the changes carried out in the New Zealand electricity industry were initiated by the Treasury department, and were largely based on organisational economic theories – agency theory, transaction cost economics and property rights. Easton (1997) notes that the drive for commercialisation in New Zealand came from the Treasury. Treasury officials served, and are still serving, as the chief economic and financial advisers to the various governments in New Zealand. The Treasury provides a brief for the incoming government after every election. In 1984, the brief they provided for the incoming Labour government was entitled ‘Economic Management’. This document later became the basis on which most of the SOE reforms were based (Boston et. al, 1996). Similarly, in 1987, the Treasury’s brief was entitled ‘Government Management’. The reforms of the core public sector (the civil service comprising mainly of government departments) were based on the 1987 publication.

The proponents of change in the Treasury were young, and most of them had gained their academic credentials in economics from universities in New Zealand and had also spent some time either working in the United States or gaining some postgraduate qualifications from US universities (Massey, 1995; Easton, 1997). They thus shared similar views, as a result of the economic theories that were taught to them at the various institutions they attended, illustrating the notion of normative isomorphism (DiMaggio and Powell, 1983). Greenwood and Hinings (1993) suggest that the configuration or pattern adopted by organisations is provided by the underpinning ideas and values that become an interpretive scheme (Ranson, Hinings and Greenwood, 1980). These organisational economic theories became the guiding principles or the interpretive scheme (Ranson, Hinings and Greenwood, 1980;
Greenwood and Hinings, 1993) on which the documents (Economic Management and Government Management) and the subsequent reforms were based.

There were other local inputs into the reform process in New Zealand and these came from academics and the business community (Boston et. al, 1996). The New Zealand Business Roundtable, a self-selected lobby group of about forty chief executives of some of New Zealand's biggest businesses, was very instrumental in debating issues relating to economic reform. This organisation came out with several publications on how economic reform could be undertaken in New Zealand to make the economy more efficient. The role played by politicians in initiating change in New Zealand was also significant as noted by Easton (1997). Easton believes that three politicians were largely behind the reform process, and these three politicians were able to get others on board to support them and bring about reform in New Zealand. These three politicians have been referred to in Easton (1997) as the 'troika'. The reform policies of the mid-eighties that were adopted in New Zealand were later dubbed 'Rogernomics' in honour of the head of the 'troika', Roger Douglas, who was the Finance Minister in the fourth Labour government. The other two members of the 'troika', Richard Prebble and David Caygill were both key ministers in the Labour government. There was also an external component to the reforms in New Zealand, but this mainly came in the form of information on what was happening elsewhere (mainly other OECD countries) and learning from such experiences.

Even an ideological opponent of the reform programme such as Kelsey (1993) notes that, from a purely economic point of view, most of the reforms have achieved their economic goals. For instance, as Duncan and Bollard (1992) note, seven of the initial
nine government departments that were corporatised trebled their profits in the first four years of operations. Most of these departments previous to the reforms were loss-making entities and had to be rescued financially by the government as the revenues they generated were not self-sustaining.

This thesis suggests that the reforms in New Zealand were able to achieve the objectives set because they were internally generated and supported by an appropriate institutional environment. Present in the institutional environment was a normative framework which, based on the theories of neo-classical economics, viewed corporate management and free markets as desirable. This was largely due to the fact that there was a thriving private sector that was modelled on neo-classical economics and this sector was outperforming public sector companies. It was therefore a widely held belief that the public sector needed to be transformed and the way to do it was to follow a private sector model. This normative framework existed prior to the legislative changes, and helped to facilitate the necessary changes at the institutional and organisational levels to achieve the desired efficiency and performance levels in New Zealand. Newman (2000) argues that institutional level change encourages organisational transformation as the institutional context exerts normative pressure on organisations to change.

The people who initiated the reforms in New Zealand believed in the reforms, they took ownership of the reforms, and were able to see them through. In the process, they were also able to build up trust at the industry and organisation levels which, as will be explained later, was another important element necessary for attaining the objectives of change. The positive outcomes of the reform programme in the New
Zealand electricity industry were also partly due to the focused manner in which they were carried out. It was possible to maintain focus on one aspect of reform at a time and bring the programme to a conclusion.

The later (1998/99) reforms however, did not achieve the desired results, although they were internally generated (mostly from the Ministry of Commerce). This was partly because the support that the earlier reforms had enjoyed from politicians, academics and the business community was largely absent in the reforms. The various sectors in the industry could not agree on a framework for reform, and in the absence of an agreed framework it is very difficult to achieve the change objectives. One reason for this disagreement was that the earlier reforms had achieved substantial increases in efficiency in the industry, and it was doubtful whether the proposed reforms would result in further increases in efficiency in the industry (Cook and Kirkpatrick, 1995). The various sectors within the industry were pointing at each other and blaming each other for the perceived lack of economic efficiency in the industry. They also blamed each other for the high price of electricity, especially to domestic consumers.

The institutional upheaval that resulted from the Electricity Industry Reform (EIR) Act 1998 created ambiguity in the institutional environment. This ambiguity inhibited the ability of the sectors within the industry to undertake a rational, adaptive search for solutions to the problems that the industry was facing (Lant and Mezias, 1992; Newman, 2000). Newman (2000) further argues that changes in such an environment may not lead to better outcomes because the context for operation is too chaotic, cause-effect relationships cannot be discerned and past experiences have little value
and are unable to act as a guide for future action. In contrast to the earlier reforms, this period was characterised by a lack of unity among the different segments of the industry. This built up a lot of animosity between the segments and there was a general lack of trust in the industry. The lack of trust was partly created by demand side companies complaining to the government that the supply side companies were responsible for the problems and likewise the supply side companies were complaining to the government and blaming demand side companies. Both sides could not trust what the other side was doing or saying. This thesis found trust to be important in the organisational change process.

The reforms that resulted after the EIR Act 1998 were multi-focused unlike the piecemeal nature (single focus) of earlier reforms. The EIR Act 1998 reforms focused on both the supply and demand sides of the industry. Anecdotal evidence from this stage of the reforms suggests that the price of electricity, which was expected to fall, has in fact risen. This could indicate that the reforms have not achieved their objective of lowering the price of electricity to the end consumer, especially small domestic consumers. Newman (2000) suggests that too much institutional change inhibits organisational transformation by encouraging strategic confusion. This leads some organisations to enter into businesses for which the organisation does not have the requisite resources or capabilities (Newman, 2000). This was present in New Zealand after the 1998 changes as generators were entering into the field of retailing with no prior knowledge or requisite skills for retailing. Although the reforms were internally generated, too much change was attempted and there was a normative embeddedness of the sectors within their institutional context (Baum and Oliver, 1991) which led to problems that inhibited the achievement of the change objectives.
The lack of trust in not knowing what the other side of the industry wanted, the lack of unity among the participants and the lack of an agreed framework of change also resulted in some of the change objectives not being met.

Most of the reforms undertaken in the electricity sector in The Gambia were externally driven. The initial drivers of change were the British, as they had colonised the country for almost two hundred years. However, the British influence was gradually replaced over the last fifteen years by the Bretton Woods institutions, namely the World Bank and the IMF. The WB/IMF, according to Callaghy and Wilson III (1988), have been the chief “push factors” driving change in most African countries. The changes directed by the WB/IMF have been carried out in a context of heavy, direct, and implied conditionality.

The normative framework within the institutional context which guided the reform programme in New Zealand was conspicuously absent in The Gambia. There was no widely held belief system as to what may constitute best practice and what may lead to better performance. Since a framework for change was absent foreign templates of change were adopted. Newman (2000) notes that the use of foreign templates may not be as effective as desired due to the fact that the templates might not only be unsuitable for the prevailing institutional environment, but they might not be relevant to the culture, nor are they likely to be fully understood by the local managers who would be responsible for managing the programme of change. The change models used in the electricity industry in The Gambia were based on models identified by the WB/IMF and were not developed particularly for The Gambia. The electricity industry in The Gambia operated within a different institutional context to that from
electricity industries in the West, and therefore Western ideas would be imperfectly transferred.

The drivers of change, in an externally driven change programme, do not normally bear the consequences of their decisions (Pfeffer and Salancik, 1978), which may affect their judgement, especially in the planning stage. External drivers of change are usually unaware of the “local conditions” (Nafziger, 1993) which need to be considered in any change programme, as conditions in the West (where most of the changes in The Gambia were driven from) and the change site are not the same. The political decisions made by external change agents are usually applied across the board of entire different classes of organisations in different countries, thus making such decisions less adaptive and less flexible (Pfeffer and Salancik, 1978). Rutland (1997) has identified two distinct problems in the Western approach to privatisation. These he puts down to errors based on a misunderstanding of the situation in the region and errors stemming from the deliberate promotion of Western interests irrespective of the regions needs. This lack of understanding by the drivers of change, according to Newman (2000), leads to the inappropriate application of their skills in designing the change programme. A country like The Gambia has many customs and traditions, such as the role elders play in organisations, and the extended family system. How these customs and traditions affect the local people who would be affected by a change programme need to be considered before embarking on any change programme. External models of change do not normally cater for such “local conditions” and run into trouble from the very onset. This leads to apprehension from the locals and they do not give it (change) their unequivocal support.
When institutional change is initiated externally, the people involved in its implementation, usually the locals, do not embrace it as theirs partly due to the fact that it originated outside their sphere of influence, and partly because of a lack of understanding especially if it does not fit within the prevailing institutional environment. When managers do not understand the concepts underpinning the institutional changes, they are unlikely to be able to use the changes effectively to improve efficiency and performance (Newman, 2000). Greenwood and Hinings (1996) argue that “change cannot occur without the organisations having sufficient understanding of the new conceptual destination, its having the skills and competencies required to function in that new destination and its having the ability to manage how to get to that destination” (pp. 1039-1040). Because of the lack of understanding and the lack of input, apprehension to the changes builds up and this lessens the likelihood of attaining the desired change objectives.

Programme formulation for the changes in The Gambia was usually carried out in Washington, and very little contact was made with the people whom the reform programme was supposed to serve (Nafziger, 1993). A high ranking government official told me that in most of the decisions about reforming the Gambian economy, they were being pushed hard and fast by Washington (WB/IMF) and enough time was not devoted to analysing the reforms, the impacts and their consequences. Adams (1992) believes that the experts in Washington are ill-acquainted with the daily lives of their constituencies, and Bank projects were rarely adequately analysed. This, she argues, leads to serious miscalculations on the part of the Bretton Woods institutions. Nafziger (1993) believes that adjustments, such as those that took place in The Gambia, should have a high local policy planning and analysis component to them as
this allows for local capital development. Local input also allows policy planners and analysts to capture technological learning gains as was demonstrated in New Zealand. Organisational learning occurs through organisational routines that are repeated and modified (Levitt and March, 1988). Routines include an organisation’s ideologies, strategies, systems, technologies, cultures, and conventions that define the way in which it undertakes activities (Newman, 2000). Most of the Treasury officials who were instrumental in instituting reforms in the New Zealand economy are now working as consultants in New Zealand and overseas, helping to share the experiences gained through learning by actively participating in the reform process in New Zealand.

Externally controlled reform is expensive as it involves the use of foreign consultants in the preparatory and, sometimes, in the implementation phase. This foreign domination of policy does not foster the required commitment and active participation from the locals. Large sums of money are usually paid to foreign consultants who are found to be, in most cases, less competent than the people they are supposed to be advising (Stiglitz, 2000). Locals who feel that they could do the job will sometimes sabotage the directives of these external consultants, which will ultimately lead to the under-achievement of the reforms. This has been a factor that has contributed to the poor results of WB/IMF projects.

Most externally driven reforms do not achieve the desired objectives because they are usually rushed through. The time between conception, design and implementation of reforms is usually short, as was experienced in The Gambia where respondents felt that they were being pushed hard and fast by the WB/IMF. The deadlines that were
given in most stages of the reform process in The Gambia proved unrealistic. A reason some respondents assigned to the rushed programmes of the WB/IMF was because WB/IMF officials had performance targets to meet and would do anything to achieve these targets. The remuneration of WB/IMF officials were usually performance based, and these officials would be tempted to do everything possible to ensure that they received the highest remuneration possible. Some respondents also believed that some WB/IMF officials had hidden agendas with respect to privatisation, and were therefore anxious that privatisation projects were concluded swiftly. Rutland (1997) notes that sometimes the rubric of privatisation serves as a cover for the international expansion of Western organisations. This perception of hidden agendas on the part of the WB/IMF introduced an element of mistrust in the WB/IMF induced reforms. Trust, as would be explained later, was found out to be an important concept in organisational change and its presence or absence was influential in determining the outcomes of a change programme. Nafziger (1993) believes that rushed projects, which are the characteristic mode of operation of the Bretton Woods institutions, is due to the fact that they have a short planning horizon. Reform, similar to those undertaken in The Gambia, must have a longer planning horizon if the desired outcomes are to be realised.

WB/IMF aid programmes, especially in LDCs, are usually contingent on economic reform which normally includes economic liberalisation. However, only a small proportion of the aid received from WB/IMF reforms actually goes into the reform programme itself. This adversely affects the outcome of the reform programme. There is a vicious cycle associated with aid from Western economies and most aid received ends up in the countries of origin. The aid is usually contingent on a number
of conditions, some of which include the repayment of external debt (back to Western economies) and the use of and payment to external (Western) consultants, unfamiliar with the “local conditions”, to design the reform programmes. An UNCTAD report in 1991 found that the GDP growth in Africa during the eighties was only 0.4%. This was largely due to the poor performance of countries that were implementing, or had implemented, a programme of structural adjustment dictated by the Bretton Woods institutions. Nafziger (1993) notes that an Economic Commission of Africa analysis of WB data indicated that Africa’s GDP growth, investment rates, budget deficits and debt service ratios fell after structural adjustment programmes were initiated through the WB/IMF contingency programmes of assistance.

The evidence from The Gambia supports the view of Babai (1988) and Nafziger (1993). Babai (1988) notes that the track record for the implementation of reform and privatisation programmes shepherded by the WB have been poor. Nafziger (1993) concluded that empirical studies have failed to show the success of Bank/Fund adjustment programmes in Africa. The Gambian reforms were externally driven and controlled by the British initially and much later by the WB/IMF. Nkrumah (1965) described the control of third world economies, especially those of Africa, by Western nations as neo-colonialism. The essence of neo-colonialism, he argued, was that even though a State is independent, “and has all the outward trappings of international sovereignty”, in reality “its economic system and thus its political policy is directed from outside” (pix). Callaghy and Wilson III (1988) believe that for certain donors, such as the British government and the USAID, the exercise has been an ideological one in which they have had an impetus to “denigrate non-market, non-Western economic models, patterns and linkages and to praise and foster Western capitalism”
(p.186). Rutland (1997) believes that the commitment to privatisation from aid agencies and governments has more to do with policy debates in Western countries than on the ground where privatisation is actually taking place.

The level of influence from external sources, in particular the Bretton Woods' institutions and Western donors, according to Babai (1988) depends on the borrowers' level of desperation. The Gambia was desperate for aid to expand the electricity sector and increase its productive capacity and output as well as to develop and strengthen its economy. Electricity was an engine of economic growth and the government felt that there was no alternative other than to seek assistance from and accept the conditions of the WB/IMF.

The Nawec corporate plan for 1999 stipulated that the success of the company would be measured on two fronts – customer perception that Nawec offered a quality service, and company self sufficiency to meet its capital expenditures. There have been power outages since 1977 in The Gambia, and I did not meet any customer, domestic or commercial, who was satisfied with the service provided by Nawec. Nawec also suffered, and still suffers, from an acute shortage of capacity – both generating and transmission. Using the criteria given in the Nawec corporate plan, I am led to conclude that the reforms, especially the externally driven reforms, had not achieved their desired objective.

During the period of military rule (UHC and Nawec eras), all aid from the WB/IMF and other donor countries was suspended, as these institutions believed that aid should also be made contingent on a democratic regime being in government. There was no
external input into any change programme and all of Nawec’s plans and strategies were internally generated. During this period the outcomes of the changes undertaken in the electricity sector were more positive than any other era in the industry’s history, as outlined in chapter five. The sector recorded its first profit and there was a fifty-percent increase in the generating capacity. There was also a limited increase in transmission capacity. Nawec also upgraded some of the transmission and distribution lines that were constructed by the British before independence and some areas that had suffered from low voltage had reasonable levels of voltage stability and fewer electrical appliances were destroyed as a result of erratic voltages. People were more satisfied as there were less power cuts than before, although there was still room for more improvement. Some people who were in areas that had been on the waiting list for many years had electricity for the first time, increasing overall consumer satisfaction.

The people implementing the change during the Nawec era understood the institutional context within which Nawec operated. The new team understood that they had to insulate the organisation from the existing dysfunctional norms in the society and they worked towards this by discarding old routines. They adopted concepts based around what they perceived as the best way to achieve improved performance. They thus developed a normative framework based around privatisation concepts and these concepts were more effective in bringing about change. The concepts were not imposed but rather evolved in the organisation over the years through the gradual introduction of new knowledge brought about by more qualified people joining the company. The management team had new value commitments and new capabilities (Newman, 2000) and they were able to scan the available
organisation templates and choose an alternative that was more appropriate. They were thus able to change the organisation to make it more effective and increases in performance were achieved.

While the New Zealand industry was made up of multiple organisations in the generation, transmission distribution and retailing sectors, a single organisation constituted the Gambian industry. Although change at the organisational level could be regarded as a consequence of change at the institutional level, according to Greenwood and Hinings (1996) changes in the institutional context lead to changes in value commitments inside organisations, which when coupled with sufficient managerial capability results in transformational change. Meyer, Scott and Deal (1983) note that organisational behaviour is the product of values and beliefs that originate in the institutional context and derived from a normative order. This is a view supported by Meyer and Rowan (1977), DiMaggio and Powell (1983), Meyer and Scott (1983) and Zucker (1987). The interpretive schemes contain beliefs and values about domain, organisational forms and criteria for performance evaluation (Greenwood and Hinings, 1987). The configuration of organisational structures and organisational systems are strongly underpinned by provinces of meaning and the interpretive schemes which bind them together in an institutionally derived normative order (Ranson, Hinings and Greenwood, 1980; Bartunek, 1984; Hinings and Greenwood, 1987).

The reverse of change at the institutional level leading to change at the organisational level is also true in that the changes in value commitments or the development of a normative framework at the organisational level leads to changes in the institutional
context. This was experienced in the New Zealand electricity industry where changes in belief systems in organisations created the impetus for the legislative changes in the institutional environment. Greenwood and Hinings (1996) note that change of a radical nature will only occur if all interests become associated with a reformative pattern of value commitment. Collins and Porras (1991) argue that it is impossible to prescribe radical change but rather it is better accomplished by appeals to the normative vision. Such a normative vision was absent in The Gambia for most of the changes undertaken in the electricity industry. What was being done by Western partners was change prescription in the absence of a normative vision, as change cannot occur without organisations having sufficient understanding of the new conceptual destination, it having the skills and competencies and it having the ability to manage how it gets to that destination.

The empirical evidence from this study supports the thesis that reform initiated, controlled, and implemented endogenously at both the institutional and organisational levels has a more likelihood of achieving the desired outcomes than reform that is exogenously driven. This is because a normative framework that is made up of ideas, beliefs, and values that shape prevailing conceptions will most likely support endogenously driven reforms. Reforms that are exogenously driven are usually not supported by such a normative framework.

7.3 *The Importance of Trust in the Organisational Change Process*

Another conclusion reached in this thesis is that trust is an important component in the organisational change process. The presence or absence of trust at the organisational and industry levels could affect the outcome of the change process. The conclusions
from the findings of this research show that the outcome of change is dependent on
the presence or absence of trust among the management team charged with
implementing the change process. Change often involves the participation of a few
key people in an organisational setting, and these people usually depend on one
another to accomplish the organisational goals. I found out that the presence or
absence of trust among the members of this team, which is usually the senior
management team, accounted for the achievement or non-achievement of
organisational goals.

Mayer et. al (1995) note that the study of trust in organisations have been difficult due
to problems associated with defining the concept of trust, and the lack of clarity in the
relationship between trust and risk. Gambetta (1988), believes that “scholars tend to
mention (trust) in passing to allude to it as a fundamental ingredient or lubricant, an
unavoidable dimension of social interaction, only to move on to deal with less
intractable matters” (unnumbered foreword). The lack of a clear differentiation of the
factors that contribute to trust, trust itself and its outcomes have affected research of
trust in organisations (Kee and Knox, 1970; Cook and Wall, 1980). In the past
decade, however, the importance of trust in social, economic, political, legal and
organisational relations has been increasingly recognised by scholars (see Gambetta,
1988; Blumberg, 1989; Sitkin and Roth, 1993; Bianco, 1994; Brown, 1994; Mayer et.
al, 1995; Mishra, 1996). During data collection, trust was only mentioned once by
one respondent however, during data analysis, I realised that most of what I was being
told by respondents referred to issues of trust. The change processes I was
investigating in both countries were based on the concept of privatisation which, as
has been outlined in preceding chapters, is an economic as well as a political activity.
Good (1988) believes that “the analysis of trust is related to the economic and political fabric of society and the individuals who constitute that society” (p.31). I found out that trust was a central component in the organisational change process as most change processes involve both economic and political dimensions.

7.3.1 The Role of Competence in Building Trust

Mayer et. al (1995) in their review of the trust literature identified three characteristics that appear repeatedly, namely, ability, benevolence, and integrity. The concept of ability (or competence as preferred by Kee and Knox, 1970; Rosen and Jerdee, 1977; Lieberman, 1981; Butler and Cantrell, 1984; Butler, 1991; and Mishra, 1996) was identified in chapters four, five and six of this study as being one of the factors that led to a desirable outcome of change. Mayer et. al (1995) defined ability as “that group of skills, competencies and characteristics that enable a party to have influence within some specific domain” (p.717). Competence allowed the change leaders to influence the direction of change, as well as the content of the change programmes. I found out, in both sites, that when the leader(s) of change were perceived as competent by the senior and middle management teams, the entire change teams were able to work together to bring about positive change in the organisations. Old management routines were done away with and new methods of operation were employed.

Most of the change leaders in New Zealand had obtained valuable experience and had built up their managerial competence in the private sector. Some of these change leaders had carried out major restructuring programmes in the private sector, and were thus able to bring these experiences to the various reform programmes they were
associated with in the electricity sector. Newman (2000) notes that new individual knowledge is brought to bear by new experienced leaders and old routines are no longer sacrosanct when new leaders are hired. Weick (1993) notes that top managers understand, interpret and mobilise a firm’s resources consistent with their own background and experience. The competence of the managers who were appointed to lead change in the electricity industry in New Zealand was never in question, even though there was an initial resistance to change especially from the engineers who had the most to lose from the change programme. The new executives were quickly able to build up the necessary trust within the organisation, despite the initial resistance, as their peers and subordinates saw them as competent. After the initial resistance most of those who had survived the changes were able to see that what the people who had come from outside were saying, did actually make sense. The competence of the change leaders and the acceptance of that competence by the old guard was important to enable the leaders to get on with the job of bringing about the necessary changes to make the industry more efficient. The staff believed in them and trusted them to get on with the job ahead of them.

Since independence in 1965, The Gambia had always faced a scarcity of appropriate human capital in many sectors of the economy. This lack of human capability was evident in the electricity sector, especially in the GUC era where, for the first time, commercialisation practices were being introduced. An IMF report in 1999 put the level of human capital in The Gambia as low. This was reflected by the high illiteracy figures in the report. The report notes illiteracy rates of 94% in 1962, 79.75% in 1985 (during the GUC era) and 67% in 1997 (these figures represent the percent of people over 15 years of age). There is therefore a gradual increase in the
literacy levels in the country. There is also a corresponding increase in the performance of the electricity sector implying that with increased literacy levels in the country, there was an increase in competence and therefore an increase in organisational performance.

During data collection, respondents reiterated time and time again that the management of the GUC was incompetent, and that the poor performance of the sector was the result of management incompetence. The incompetence of the change leaders led to several members of the team not believing in their leader’s actions. There was no direction from the top and there was clearly an absence of any normative framework to guide the reform programme. Incompetent managers gathered people around them who would be loyal to them under all circumstances. These people owed their employment to the manager. In most cases these people who surrounded the incompetent leaders where themselves incompetent. This incompetence led to the establishment of the “camp culture”, which was very prevalent during the GUC era. It was fuelled by nepotism that gave rise to an unhealthy environment, which did not engender trust. The outcomes of the GUC era were poor because the working environment (the institutional context) was one that was characterised by mistrust, fuelled by incompetence and nepotism. The institutional context embodies “rules of the game” and thereby constraints, controls and enables activity to go on (North, 1990; Jepperson, 1991). GUC was embedded in an institutional context which made transformational change difficult.

The important role competence plays in establishing trust in the organisational change process was highlighted by the changes which took place in the UHC and Nawec eras.
These changes had a change leader at the helm of a team of people who were all well educated, and had also gained considerable experience in the sector building up there competence. Almost half of the team had acquired business skills to complement their engineering qualifications. They regarded one another as competent and trusted each other’s judgement. A trusting relationship blossomed in the senior management team and they were able to work together to bring about positive change during these two eras of change. Team members had also been able to extricate themselves from the institutional context that was characterised by the “camp culture”. This built up trust in the working environment and they were able to work together to bring about meaningful change during these two eras.

7.3.2 Integrity

Like Lieberman (1981), Butler and Cantrell (1984), and Mayer et. al (1995), I found that the concept of integrity was an important issue in the establishment of trust in the changes that took place in The Gambia. Various people I spoke to during the course of data collection pointed out that some of the officials in the industry lacked integrity. They claimed that this lack of integrity was sometimes due to no fault of managers but was rather caused by the ‘system’ in The Gambia, which in the past had rewarded several people for wrongdoing. It was easy to see how they arrived at this conclusion, because several prominent members of society who had been accused and found guilty of corruption were later promoted to more important positions of responsibility and authority. A government minister who was found guilty of engaging in improper acts bordering on corruption was not sacked but rather after the general elections was promoted by the President and became Vice-President of the country. This clearly indicated a lack of integrity going right to the top echelons of
Gambian society. Pettigrew (1987), Van de Ven and Poole (1988) and Wilson (1994) have lodged pleas for theoretical understanding of how contextual pressures are interpreted and acted upon by organisational actors. The institutional environment present in The Gambia was thus governing the behaviour of change leaders in The Gambia and the beliefs, values and actions of change leaders originated in the institutional context (Meyer and Rowan, 1977; Zucker, 1983).

Most respondents regarded one of the leaders of change in the electricity sector as someone who lacked integrity. There was a lack of trust in his ability to bring about positive change in the sector due to the fact that he also owned a company that had signed a contract with Nawec to serve as an IPP. He was also reported to have tampered with the tendering procedure for the purchase of fuel in order to satisfy one of the requirements of his private company. He awarded Nawec’s fuel contract to Elf, an oil company that was providing financial guarantees to his personal company BEECL to participate as an IPP in The Gambia. Elf was providing the same quality of oil at a much higher price than other reputable and bigger oil companies such as Shell. He had therefore let his personal interest override that of Nawec. The board had to step in at the last minute to stop the fuel contract from being executed. The MD’s actions were therefore lacking in integrity.

Dasgupta (1988) points out that the decision about whether or not one should trust another person depends on that person’s reputation. A favourable reputation, he opined, is acquired through behaviour over time. The Nawec MD’s integrity was questioned, and the contract signed between Nawec and his private company not only dented his reputation, but also eroded the amount of trust people had in him and in the
organisation he was leading. Organisational members could no longer decide whether his actions were in the best interest of the organisation or his private interests. The MD had also served in the company twice before and was sacked on both occasions for wrongdoing. Managing Directors who are found to be unreliable and not following through on promises destroys the level of trust in the MD and in the organisation and it could also indicate a lack of integrity on the part of the MD.

Such a lack of trust in an individual, according to Luhmann (1988), may prevent much needed capital investment because potential business partners, especially foreign, may deem it as a period of uncertainty and risk due to the normative views of untrustworthiness they hold about the management. The lack of integrity of change leaders in The Gambia thus has the ability of affecting the level of trust at the industry level. The reforms planned in The Gambia hinge on both Nawec and the government being able to attract foreign investment, as the government has made it clear that it is unable to provide the needed capital necessary for investment in the industry. A perceived lack of integrity of change leaders by foreign partners could adversely affect the change programme. Hence the need to ensure that in the organisational change process, leaders of change must have integrity and come into the organisations with good reputations. They also need to be seen as reliable and to be able to deliver on promises and agreements.

Both the primary data collected and the secondary data I reviewed of the changes in New Zealand failed to reveal any issues related to the lack of integrity of change leaders. This led me to conclude that integrity was not a major issue of concern in the New Zealand changes. Most of the leaders of change had good reputations and were
deemed to be reliable as they had carried out similar restructuring exercises in the private sector. From the evidence in the New Zealand and Gambian change processes, I concluded that the integrity of change managers with regard to the development of trust or mistrust in the organisation and the organisational change process would be of more concern in countries where the institutional environment was characterised by and supported practises such as corruption and unreliability.

7.3.3 Communication

One of the dimensions identified by Mishra (1996) in his review of the trust literature was openness. During data analysis, I discovered that communication was an indication of openness and was an important construct for building trust in the organisational change process. Being able to communicate openly not only made people aware of what was happening, but it also served as a catalyst in creating an enabling environment for teamwork to flourish.

There were two levels on which communication impacted on trust in the organisational change process. These were at the organisational level and the industry level. At the industry level in New Zealand, due to the fact that the industry had been historically set up with the supply side separate from the demand side, trust was required between the various sectors/participants in the industry to guarantee security of supply. Effective communication between the various sectors was therefore necessary and important to guarantee security of supply and to avoid black outs. The communication that was present between the various sectors in the industry built up the level of trust in the whole industry. The level of trust was so evident that when one sector was in difficulty, another sector would rush to its aid so that the whole
system was not affected. Trust at the industry level in New Zealand has reduced with increasing competition. This is because the information that was readily available before and shared among organisations has now become commercially sensitive. Communication between the various sectors has decreased due to this commercial sensitivity of information. Companies are less likely to co-operate now, as they are all going after market share and competing for the same customers. Companies now charge other companies high prices to cover for them during cases of emergencies and some cases have now been taken to the Commerce Commission to investigate abuse of power by competitors. Due to the lack of communication the participants in the sector were unable to agree on a framework for further reform and there was an element of mistrust between companies and this affected the reforms of 1998/99. Companies on both sides of the industry were blaming each other and reporting to the government that the other side was responsible for the inefficiencies in the industry. The outcomes of this phase of the reforms in New Zealand, especially for the end user, have been higher prices in electricity, which is contrary to what the reforms were expected to achieve. The lack of communication and the decreased levels of trust in the New Zealand electricity industry were partly responsible for the catastrophic power failure in Auckland in 1998, when power was lost to the central business district for a few days. Many businesses lost millions of dollars as a result of the power failure.

In The Gambia, communication between the government and the management of the electricity sector has been poor and this eroded the level of trust in the entire industry. Management most of the time was unaware of government intentions for the industry due to the lack of information flow from the government. Agreements were signed
between the government and external agencies without the management of the corporation being aware of the content or the existence of such agreements. Most of the agreements were signed after the MSG era despite the experiences gained from both the MSG contract and the contract with ESBI/BiWater. Some of the agreements signed were later rescinded for reasons only known to the government. Newman (2000) asserts that with no logic to government action, uncertainty and ambiguity are heightened and it is unlikely that change outcomes would be achieved.

Corruption has always been an issue and part of the institutional context in The Gambia and dealings made behind closed doors always raises eyebrows as to the actual motives behind the decisions. Speculations and rumours of corruption in the privatisation of the electricity sector are rife in Gambian society. Ramanadham (1993) notes that the absence of transparency in privatisation transactions arouses suspicion and create popular disbelief in the fairness of the transactions. These rumours only serve to weaken the level of mutual trust between management and government and this could potentially hamper the outcome of the change process, which in The Gambia, has been an inadequate supply of electricity. Most of these rumours could have been dispelled if the government communicated with the management as well as with the general populace.

At the organisational level, communication was widely recognised as an important factor in facilitating change in New Zealand. Throughout the change process, change managers communicated effectively with other members of their teams, as well as their subordinates. Communication was used as a means to foster trust within the organisation, especially the superior/subordinate relationship which was used to boost
the confidence of the employees. Managers ensured that everyone involved in the change effort knew what was going on. Technology played an important role in enhancing communication in the New Zealand industry as most organisations developed Intranet systems to communicate with employees within the organisation. Luhmann (1988) believes that there is a relationship between trust and confidence and he went on to say that “if there is a lack of confidence, there will also be a diffuse sentiment of dissatisfaction and alienation or even anomie” (p.103). The open communication system, which was the modus operandi for most New Zealand electricity companies, made it possible for lower level employees to have confidence in their superiors and in the senior management team. Improved communication strengthens employee commitment to the organisation, encourages employees to be more productive and innovative and it also encourages them to take responsibility for their actions. This engendered teamwork throughout the organisation and led to very positive outcomes.

Communication at the organisational level in The Gambia was very poor during the GUC era, as power was concentrated in the hands of the MD. MDs during this era did not communicate effectively with their subordinates, and there was a high degree of mistrust in the organisation at the senior management level. Senior managers did not know what the MDs were doing and were sometimes kept in the dark with regard to organisational policy. The presence of the “camp culture” was also partly responsible for the high levels of mistrust in GUC. The dictatorial nature of the MDs and their lack of communication introduced an asymmetry which disposed of mutual trust, and promoted power and resentment instead (Gambetta, 1988).
In the UHC and Nawec eras, the communication between members of the senior management team improved greatly and the senior management team were not only told about what was happening, but they also actively participated in the decision making process. The publication of a newsletter was introduced to inform middle and lower level staff of decisions taken by management, the outlook for the future and how these would affect the company and its employees. The increased level of communication increased the level of mutual trust (Duck, 1993) throughout the whole organisation. The increased level of communication played a great part in the improved outcomes during these two eras.

7.3.4 Teamwork, Autonomy and Delegation

The important role teamwork plays in the achievement or non-achievement of change objectives has already been discussed in chapter six. However, the presence or absence of teamwork in an organisation was also found to be an important component in establishing trust or mistrust in that organisation. Sincere teamwork between employees in any work environment is an indication of mutual trust in an organisation (Mayer et. al, 1995). Thomas (1979) argues that "collaboration requires trust in the other party – trust in the other’s information and trust that the other will not exploit oneself" (p.217). Granovetter (1985) argues that social relations rather than institutional arrangements are mainly responsible for the production of trust in economic life. In today’s competitive environment, Bateson (1988) argues that it is only through concerted efforts that individuals in a group can generate an outcome that would put their group at an advantage over other groups.
Through co-operation and teamwork, trust can be generated in an organisation and, through trust, co-operation and teamwork can be developed in an organisation. The relationship between trust, co-operation and teamwork is therefore cyclical. The embeddedness argument of Granovetter (1985) stresses the role of concrete personal relations and structures (or teams) in generating trust and discouraging malfeasance. Teamwork and trust will increasingly lead towards autonomy and delegation, as direct supervision becomes impractical and unnecessary in a collaborative environment. It is therefore of the utmost importance that a trusting relationship is established among the senior management team during a change programme. Hume (1969) explains that, “when each individual perceives the same sense of interest in all his fellows, he immediately performs his part of any contract, as being assured that they will not be found wanting in theirs. All of them by concert enter into a scheme of actions, calculated for common benefit and agree to be true to their words” (p.574). The academic and practical management literature is replete with articles on the importance of delegation, and allowing individuals to be responsible for their actions. This has resulted in most organisations decentralising their decision making process. Decentralisation of decision-making involves trusting others as Mishra (1996) explained “delegating decision making to others involves both increasing dependence on others and entailing greater risks” (p.271).

During the various changes undergone in The Gambia teamwork, autonomy and delegation only became part of the interpretive scheme (Greenwood and Hinings, 1993, 1996) and the management style during the UHC and Nawec eras. This normative framework played a significant role in building up trust within the senior management ranks, and restoring the damage done by the “camp culture” as it was a
widely held belief that teamwork rather than dictatorship would lead to better outcomes. The dictatorial actions of the MDs in the GUC era had completely eroded trust at this level of the organisation. The new management style ushered in an era of collective decision-making and members of the management team felt valued because, for the first time in the company, their opinions were being sought. As a result of this, a lot of trust was built up, which was partly responsible for the positive improvements made during the UHC and Nawec eras.

Effective teamwork also limits the need for extensive monitoring mechanisms to control opportunistic behaviour (Williamson, 1975, 1985). This can result in savings for the organisation, as agency costs, in particular moral hazard, would be reduced. Granovetter (1985) argued that economic exchanges are embedded in social relationships. Bromily and Cummings (1992), argue that trust could reduce the transaction costs, as higher levels of trust in an organisation reduces the costs associated with control and monitoring, which could have the undesirable side effects of reducing innovation and co-operation. Kuczi and Mako (1997) point to trust-based relations where patterns of economic exchange are interwoven with ties of kinship and friendship.

7.4 Selection Process

Another conclusion drawn from the research is the role the selection process of individuals plays on building or eroding trust within an organisation. The literature on trust in organisations has been silent on the issue of the selection of individuals to organisations. The literature on the selection process is also silent on the role trust plays in the selection process. I found out that the construct of trust with regard to the
selection process was more prominent in The Gambia, and is also likely to occur in other LDCs where the selection process is not rigorous, and where there exists a potential for the selection process to be unduly influenced by the institutional context in which the organisation is embedded.

The literature on the management of organisational change (Nadler and Tushman, 1990; Jick, 1993; Kotter, 1995; Nadler et. al, 1995) emphasises the importance of getting in the right team to lead and manage change. The organisational change team in a change programme is normally assembled through a selection process. Such a process must not only be based on merit and ability but must also be seen to be fair if the desired objectives of change are to be achieved. A selection process that is based on merit and ability as well as fairness goes a long way in enhancing trust within an organisation, particularly within senior management ranks. Lorsh and Khurana (1999) note that the selection process influences the way employees, investors, and other constituencies view the company and its leadership and this could change their ideas, values or beliefs of, or towards, the organisation.

The data I collected and analysed from New Zealand led me to conclude that the selection process adopted in the recruitment of the change managers and leaders was fair and transparent, especially in the initial changes. No preferences were given to existing employees, and every employee was considered on his/her merit. The boards were made up of people with commercial experience and good reputations, which helped to build up trust within the organisation, as people within the commercial environment respected these businessmen who were now responsible for developing policy in the electricity industry. However, more recently, respondents have
expressed doubts about the commitment of government to selecting the best people to serve on the boards of SOEs in the past few years, due to its slim majority in parliament. People with political affiliations were now being appointed to the boards. This has eroded the level of trust, especially at the industry level where the boards have had to deal with financial institutions to raise the necessary capital for various projects.

The selection of individuals to lead the change process in The Gambia in most cases lacked transparency. In the GUC era, appointments to positions of authority were characterised by nepotism and political interference, leading to the erosion of trust in the selection process as well as in the organisation. The consequence of the process of selection was the "camp culture". In such situations, due to the lack of trust in the selection process itself and the individuals selected, it becomes increasingly difficult to obtain positive outcomes from the change process. The selection of MDs has always been the prerogative of the President and is thus a political appointment. The political nature of the appointment added to the mistrust of both the system of selection and the individual selected. In 1999 alone, there were three changes in the position of MD and six months into 2000 there has already been two changes in the MD position. The frequent changes in MD and the manner in which they were selected adversely affected morale in the organisation. These changes have most certainly affected the levels of trust in the senior management team, the performance of the company and the outcome of the change programme.

The role that competence plays in establishing trust and its importance in the organisational change process has already been discussed earlier in this chapter.
However, a competent person may not gain the trust required for positive change if he is perceived to have been unfairly selected. This perceived unfairness could hamper the outcomes of the change programme. This was evident in The Gambia where the appointment of the President's son, who was a competent engineer in his own right, as MD of the GUC was a matter of concern to members of the senior management team. Although the new MD received the support of his colleagues, this was rather out of fear of his political connections, than out of merit. His selection thus eroded trust among the members of his team. Senior members of the team were well aware that the same fate that befell the former MD, who was removed to make way for the President's son, could befall them if they got out of line or out of favour with the new MD. There was thus an absence of genuine trust in the senior management/MD relationship. Mayer et. al (1995) argue that although trust can frequently lead to co-operative behaviour, it is not a necessary condition for co-operation to occur. This was what occurred in The Gambia, co-operation with the MD was not the result of trust but rather out of fear. The members of the management team wanted to keep their jobs and the only way they felt they could do so was to co-operate with the MD.

Trust in organisations has become a major issue in The Gambia as a result of the present political landscape (institutional environment). A lot of people in many state owned enterprises similar to Nawec do not trust other members of their team or organisation due to the recent experiences of many senior managers in the public sector. There have since 1994 been frequent hiring and firings in almost all industries and this has affected the level of trust in organisations. Team members in some organisations, in order to advance up the organisational ladder, have been known to fabricate stories about other members of the team and reported these members to the
intelligence agency and to people who are politically connected. The result of such actions in most cases is that the reported people were removed from their jobs and the 'dobbers' were selected to replace them. Some of the respondents during the study mentioned that the electricity industry had suffered from such experiences in 1999 and this had adversely affected its performance. A selection process that is based on the principle of "whom you know rather than what you know" will not build up the required trust levels in an organisation to bring about positive change.

During the UHC and Nawec eras the board employed more structured selection processes in appointing most members of the senior management team. The senior management team likewise used better selection processes to appoint middle and junior management positions in the company. Some of the selection processes employed mirrored the re-engineering concept of Hammer and Champy (1993). This change in selection process was a result of a change in belief systems and values of organisational and board members. The selection process of the senior management team coupled with the integrity and competence of the management team played a great part in the building up of a relationship among the senior management team that was based on trust.

Trusting relationships in an organisation is therefore partly dependent on the selection process adopted in that organisation. The selection process is also important in that it assists in identifying competence and integrity to avoid adverse selection (Williamson, 1985). Through the selection process, it is also possible to identify whether potential employees communicate effectively and whether they are team
players. All of these characteristics have been found to be important in establishing trust at the organisational level in the organisational change process.

The selection process not only affects trust at the organisational level but can also affect trust at the industry level. The experiences in The Gambia with regards to the selection of partners for privatisation have not been good due to the lack of transparency associated with the process. This has affected trust at the industry level. Ramanadham (1993) asserts that privatisation transactions must be carried out transparently. A UNCTAD report in 1991 suggested that when privatisation is being contemplated, especially in developing countries, competitive bidding is usually the best option. Competitive bidding was used in the leasing process in the MSG era in The Gambia. However, there was a lot of scepticism about whether the contract was fairly won by Sogea, as the company had no previous experience in the operation of utility companies. This lessened the trust in the government’s ability for conducting such programmes. The outcomes of the leasing arrangement vindicated some of the sceptics.

The WB/IMF did not oppose the selection of Sogea as a partner in the leasing agreement, even though they knew that Sogea did not have the required expertise. This lessened the trust in WB/IMF projects and what the real motives of the WB/IMF were if they could allow such a lease to go through without any objections. Rutland (1997) believes that privatisation is sometimes based on the need to expand Western dominance. Callaghy and Wilson III (1988) have referred to shoddy work by privatisation “sharks” or “carpetbaggers” as having an adverse effect on reform. It appears from the outcomes of the leasing programme in The Gambia as if the
WB/IMF advanced this notion of Western expansion by its involvement in the leasing process. This lessened the trust in the WB/IMF being able to identify and select possible partners for The Gambia’s privatisation programme.

More recently, the government has entered into contracts with both BEECL and Bassam in the electricity sector to become Independent Power Producers. The government has also signed contracts with a South African Company ESKOM as well as ESBI and Biwater, who were past participants in the industry, to also participate in some capacity in the electricity industry. There seem to be no logic in the government’s actions and this according to Newman (2000) heightens uncertainty and ambiguity in the institutional environment. Most of the respondents in the study did not trust the government and were sceptical yet again about the manner in which these companies were selected. No institutional framework has been put in place for the introduction of private sector investment in the electricity industry and the selection of partners. Ramanadham (1993) strongly advises that an institutional framework should guide every privatisation programme. Most of the contracts have been hastily arranged without any competitive bidding. The experiences of the past and the present selection processes of partners at the industry level have lessened the trust within the electricity industry. It is very likely that the outcomes of change would not be achieved if irresponsible and non-transparent selection of privatisation partners is continued.

According to Mishra (1996), scholars are increasingly becoming aware of the central role trust plays in the survival and long term success of organisations. Peters (1987) argues that “the uncertainty of the environment can be swiftly dealt with only if the
firm can fall back upon the certainty of relationships among people and among groups – in other words, upon trust and integrity” (p.627). On the basis of a study in the New Zealand meat freezing industry, Addison (1997) stressed the importance of trust in organisational change and noted that in organisations characterised by mistrust, change was more difficult and had lesser chances of success. Webber (1993) believes that trust is the ultimate in any organisation, and that trust in the supervisory/subordinate relationship opens up new avenues of contribution and responsibility on both sides.

The two cases that have formed this study has reinforced the importance of trust in the organisational change process and has shown both across and within the cases instances of trust and mistrust and their consequences.

7.5 Summary

This study has looked at the organisational change process by comparing two industries in two different settings in order to simultaneously examine the institutional and organisational contexts within which change occurs (Fox-Wolfgramm et. al, 1998). The results of the study have been the development of a better understanding of the organisational change process, the development of a model of the organisational change process, a contribution to the literature on organisational change, as well as the confirmation of some of the extant literature on the management of the organisational change process.

The study suggests that government interference should be minimised in the commercial sectors of the economy. Government objectives are usually multi-
focused in nature, and in most cases governments tend to have commercial goals conflicting with political goals. This study has shown that programmes that have a single focus of change result in better outcomes than multi-focused change programmes.

The changes in both countries have seen an increasing move towards commercialisation and privatisation. This movement away from government run organisations has largely been ideological and based on the normative framework, which is well developed in Western economies, that private companies out-perform public companies. To achieve the desired commercial outcomes, economic theories of organisation (Williamson, 1975, 1985; Jensen and Meckling, 1976; Fama and Jensen, 1983a, 1983b) have played a prominent role in the formulation of policies. This has also been accompanied by mimetic, coercive and normative adaptation (DiMaggio and Powell, 1983) with New Zealand learning from and sometimes copying the experiences of other OECD countries, and The Gambia forced into institutional adaptation by the WB/IMF. By adopting the concept of privatisation the reforms in The Gambia were accorded legitimacy by the WB/IMF and other donor agencies. Privatisation also served to insulate the organisation from existing norms in society. However, as the cases have shown and the findings of this study have indicated, the acquiring of legitimacy in The Gambia does not necessarily translate into better performance. Legitimacy alone is insufficient to bring about improved performance.

The political environment in any given country is important because it affects the institutional environment and the change process, as the study discovered. In Western
economies, where there is a well established democratic tradition, changes of a discontinuous nature such as those undertaken in The Gambia and New Zealand, are more likely to be met with stiff opposition from the various interest groups that would be affected by the change process. These interest groups will try to stymie the change. A major source of resistance to change according to Greenwood and Hinings (1996) derives from the normative embeddedness of an organisation within its institutional context. Political stability was also found to be important, even in democratic countries, to allow legislation to be passed in parliament to bring about change. In New Zealand, the government had only a slim majority and was, sometimes, unable to obtain the necessary support to pass legislation for reform.

In less democratic countries like The Gambia, it is easier to bring about discontinuous change because the levels of freedom of expression and freedom of speech are limited. This limits vocal and organised resistance to the change. Although people may be unhappy, they have to accept change because of political repression, the scarcity of jobs and the fact that most of the available jobs are government controlled. Opponents of change are likely to lose their jobs if they offend the government and getting another job in a predominantly government controlled economy would prove very difficult. In such democratic countries it is effectively a dictatorship, with government usually having a big majority in parliament. The parliament, in effect, only serves as a "rubber-stamping" authority for government policies.

The study found out that changes that are internally generated and supported by an appropriate institutional environment are more likely to achieve the change objectives set than changes that are externally generated. Changes that are externally generated
are usually supported by an inappropriate institutional environment, hence the under-
achievement of such change programmes. Critical to a change programme is the need
for a normative framework to be embedded within the institutional environment.
Such a normative framework would guide the change programme. The normative
framework, as the study has shown, was composed of rationalising myths in New
Zealand and existed prior to the commencement of the change programme. This
framework which was supported by the appropriate institutional environment was
largely responsible for the outcomes of the change programme in New Zealand. In
The Gambia, there was notably an absence of any framework to guide the reform
programme. The institutional environment was also unable to support some of the
changes that were carried out.

The conclusions drawn from the findings of this study, which have been discussed in
this chapter, have been developed into a model of organisational change and shown in
Figure 6 overleaf.

The model shows that the outcome of the change process is dependent on whether the
change process is implemented from within or from outside. The manner in which
the change process is initiated, controlled and implemented will affect the level of
trust within the organisation. The change policies and how they are developed (where
and by whom) would also affect the outcome of the change process. The study found
out that changes implemented endogenously were more likely to attain the desired
outcomes than changes that were initiated exogenously. Externally induced changes
are usually forced upon the change recipients and this limits their likelihood of
achieving the change objectives.
The outcomes of the change process, as shown by Fig 6, is also affected by the competence, integrity and communication abilities of the change leaders and their ability to work together in a team environment. This serves to build up the level of trust within the organisation; the absence or presence of which will affect the outcome of the change process. The selection process of individuals was also found to be important in building up trust in an organisation. If the selection process is badly handled, even though the other variables that enhance trust are present, it affects the outcomes of the change programme.

At the industry level, the integrity of change leaders, their reputation, and their ability to communicate effectively between various players in the industry affects the level of trust in the industry. It is necessary that trust be developed at the institutional level.
because an organisation depends on the environment for its survival. If players in the organisation's environment perceive untrustworthiness, the outcomes of the organisational change process will be unfavourable.

Most of the changes in LDCs have been geared towards privatising government enterprises. The privatisation process could involve a range of different options such as the leasing of assets, the sale of the assets, or joint venture partnership arrangements. The manner of selecting potential lessees, buyers or partners has the potential and ability to affect the outcome of the change process. A poorly handled selection process affects the trust people and other industries have in the new owners or partners, the vendors, and the system that allowed the transaction to take place. This has the potential of adversely affecting the outcome of the change process.

7.6 Implications of the Study

This study which was undertaken to develop a better understanding of the organisational change process has implications for both policy and managerial practice more so for LDCs. The study also has implications for further research.

7.6.1 Implications for Policy

In any organisational change process there must be a policy or a framework guiding the change process (Ramanadham, 1993). In most LDCs state trading activities make up a significant proportion of GDP (UNCTAD, 1991). The trend in LDCs is to move away from government control towards the privatisation of services that were once provided by government. These movements away from government control in most LDCs come from the dictates of the World Bank and the IMF and are not internally
generated. This study has found that the results obtained in privatisation programmes in Western economies could not be easily translated to LDCs because the models utilised by the WB/IMF are mostly Western models derived from a normative framework based on Western beliefs and values. These models prove to be unsuitable to the unique conditions found in LDCs. Governments and international lending agencies should therefore note that each country is unique and that any model developed should be developed specifically for that country. The models developed for LDCs could be enhanced from the experiences gained from privatisation processes in the West but should not be based solely on these.

The non-transferability of Western models is mainly due to the fact that the framework and infrastructure in place in Western economies supports privatisation, whilst the framework and infrastructure present in most LDCs do not support privatisation (Ferguson, 1992). The private sector in the West makes a significant contribution towards the GDP of Western economies, and the presence of capital markets facilitates the trading of shares. Most LDC economies are government-controlled, with the private sector accounting for only a small fraction of GDP. Most LDCs also do not have capital markets for the trading of shares which would facilitate privatisation. Hanke (1987) argues that “privatisation cannot take place unless there is enough capital in private hands to provide potential buyers for state divestiture” (p.11). In the absence of a vibrant private sector the likelihood of getting the desired levels of participation from the private sector both in terms of financial and human capital will be limited. This will affect the change programme, as has been demonstrated by the case study of change in The Gambia. The institutional framework and what that framework could support should therefore be taken into
consideration in any country before embarking on reform. Hanke (1987) and Dinavo (1995) have outlined some cases where privatisation has occurred in LDCs only to fail because the institutional structure was found to be inadequate to support privatisation.

Policy makers must therefore understand and appreciate the capabilities of the institutional framework present before embarking on designing and implementing privatisation programmes. A privatisation programme that is supported by the appropriate institutional environment and framework would most likely result in the achievement of change objectives than one supported by an inappropriate institutional environment. Privatisation programmes that require local input and minimal capital investment that could be locally obtained should first be carried out in order to build up experience and the necessary infrastructure. Smaller firms can be privatised more easily than larger firms. Local investors are also more likely to be able to afford smaller firms than larger firms (Ramamurti, 2000). This will give recipients of privatisation time to understand the process and to learn in order to cope with future privatisation programmes on a bigger and wider scale through a feedback process from the previous and smaller privatisation programmes.

In most LDCs it is acknowledged that there is a need for change in the manner in which SOEs are managed. However, research has shown that most of the changes carried out in LDCs, especially those carried out under the auspices of the WB/IMF, have not achieved the desired results. This study has shown that the initiation and control of reform from outside affects the outcomes of the change programme. It is therefore imperative for funding agencies to concentrate their efforts on providing
assistance to LDCs to enable them to be in a position to design, control and implement their own changes rather than taking control of this aspect of reform themselves. Funding agencies should therefore focus on helping to upgrade the level of human capital in LDCs. An upgrade of human capital will, eventually, allow LDCs to build up the required capacity to initiate, implement and control their own change programmes. This study has shown that the level of trust that results when change programmes are internally designed is greater than when change programmes are externally designed. The building and enhancement of human capital will allow the "locals" to analyse Western models of change and appropriately adapt them to suit LDC needs. It will also allow them to understand the unique needs of LDCs and what the institutional framework could support. New concepts and programmes could be specifically designed to meet these unique needs and the institutional environment. Changes to the institutional environment could also be carried out to match the developing normative framework that would result due to the enhancement of human capital.

The study has also shown that the outcomes of change were better when the focus of change was narrow. Too wide a focus of change results in the underachievement of the change targets and objectives (Newman, 2000). Change leaders therefore must ensure that change programmes are not too widely or multi focused. A well-defined and narrow focus will ensure that all energies are directed towards achieving that focus and the objectives contained therein. Policy makers in The Gambia should consider a split of the present utility industry into separate entities. There should be an industry dedicated to the production and distribution of water and the treatment of sewerage and another industry responsible for the generation, transmission,
distribution and retailing of electricity. A separation will narrow the focus of change and will also allow each industry to focus on its core business and work towards improving the efficiency and effectiveness of the split industries. Vuylsteke (1988) has suggested that fragmentation of SOEs need to be considered if an SOE incorporates too many activities that in the aggregate would not only make change difficult but would also not be attractive to potential investors.

This study has shown that there needs to be a normative framework guiding the reform process. Those responsible for policy must believe and subscribe to the framework in order for the reforms to achieve their desired objective. Research and planning must be carried out before any major policy decisions are taken. The reforms in New Zealand had a clear framework guiding them and those implementing the change subscribed to and believed in the theories around which the framework was based on. The corporatisation programme was an example of a reform programme that achieved most of the objectives that were set because of the belief and conviction of those who designed the programme. The reform programme in The Gambia although it was based along the same lines as the reforms in New Zealand, the people implementing change did not seem to have an understanding of the framework they were implementing and, as a result, some of the objectives of change were not met. Greenwood and Hinings (1996) note that radical change cannot occur without a sufficient understanding of the new conceptual destination. If people are designing and implementing a policy because they have to rather than the fact that they believe in what they are doing, the objectives of the programme are unlikely to be achieved. It is also essential that adequate planning precede any major policy
initiatives. There was a notable absence of any coherent planning in The Gambia and this adversely affected the reform programme.

The study has implications for the role of government in state owned enterprises. The study has shown that the best practice for government would be to limit their role to overall policy and to leave execution and implementation of policy to management. In New Zealand where the government’s role was largely restricted to policy, a lot of the policy objectives were achieved. In The Gambia there was repeated government interference in operational and management matters and many policy objectives were not achieved. Government interference could adversely affect reform programmes that are meant to operate under free-market market conditions. Therefore government’s role in a commercial reform programme should be limited to policy and, if needs be, regulation.

7.6.2 Implications for Managerial Practice

In both developed and developing countries, the use of consultants by organisations to help them develop and implement reform programmes has increased. This study has shown that reform which involves the use of consultants could result in animosity developing between the consultants and their clients, which could lead to an environment that is characterised by mistrust. An environment that is characterised by mistrust will invariably lead to the non-achievement of objectives. Consultants, therefore, should always try to help and encourage their clients to develop their own normative frameworks based on their ideas, beliefs and values. Consultants should assist clients take ownership of their ideas and should endeavour to work with the clients to identify their problems and work together to develop solutions to these
problems. If consultants take ownership of reform at the organisational level and impose their normative frameworks on clients, the outcomes of change are unlikely to be achieved.

The study has shown that trust develops through teamwork, autonomy and delegation. In organisations where managers work in teams and where there is cohesive bonding within the team, most organisational members identify with the changes that the organisation may be undergoing because it forms part of their normative framework. Teamwork builds up trust, which is essential, as the study has shown during a change process. Trust between team members leads to synergies in the team and this leads to the achievement of objectives. Managers of change must therefore work towards creating a working environment that is not characterised by dictatorship. Delegation and participation must be encouraged at all levels of the organisation. Managers must be made to take responsibility for the changes within their various departments, as when they take responsibility they would believe in the changes and would do everything within their powers to see that the change objectives in their departments are achieved.

The study has also outlined the importance of communication. Managers should make use of all channels of communication with staff at different levels to inform them of ongoing and impending changes. When there is an open communication policy it builds up trust in the organisation. Managers should also use communication as a tool to prevent opposition to change. Opposition to change normally builds up when employees are not informed of pending changes and they do not know the possible outcomes of change. Employees thus have a fear of the unknown and this
leads to rumours and speculations, which only serve to derange the change process. Managers should therefore use communication as a tool to avoid rumours in the organisation as well as to break down fear of the unknown by employees as fear leads to resistance. In order to achieve the objectives of change, resistance to change must be eliminated or minimised by breaking the normative barriers embedded in the organisation and this could be achieved through communication.

7.6.3 Implications for Further Research

The research study looked at two industries that have undergone significant amounts of change over the past fifteen years and were still undergoing change. This made the exercise complex, as studying change whilst it is still an ongoing process is difficult. The ongoing process made it impossible to acquire empirical evidence for the last stage of the reforms in New Zealand. In The Gambia the introduction of Independent Power Producers (IPP) is still being contemplated and in the process there have been a few agreements signed some of which have failed to be executed and other agreements have been terminated, making the research of the process of change more difficult. Further research into the organisational change process, especially a comparison between a developed and a developing country, might be best approached from a perspective where change has been completed and the results are known or are being assessed. This would provide empirical evidence for all stages and the conclusions drawn from the research process would be more conclusive.

The study has looked at organisational change in the electricity industry, which possesses natural monopoly characteristics in certain sectors, making it unique. The electricity industry is also very capital intensive and this discourages investors and
inhibits competition. Further research on the organisational change process could be carried out on industries that do not possess natural monopolistic characteristics. Research should also be carried out in industries that do not have high entry barriers that may limit the number of participants in the industry and thus inhibit true competition in the industry.

The literature on privatisation (Millward, 1988; Vickers and Yarrow, 1988; Deane, 1989) has indicated that the evidence on whether private companies outperform public companies is inconclusive. There exists an opportunity to study this closely in New Zealand where the electricity industry now consists of private companies and public companies operating under the same conditions (preferential treatment is not given to any) both in the supply and demand sides of the industry. Such a study will be able to contribute substantially to the literature on the public/private sector performance dichotomy.

Future research into organisational change between a developed and a developing country could benefit by having at least four different cases to study – two from a developing economy and two from a developed economy. This would enable the findings of this study to be verified. The findings of such a study would be richer as it would involve multi-cross case analyses across developing countries, across developed countries and between developed and developing countries. A multi-case study involving four cases would make generalisations to a theory richer than a multi-case study involving only two cases.
I entered into the research field without any indication that trust and the selection process would be identified as important concepts in the organisational change process. I was surprised by the outcomes of this research, and believe that this should be a suitable area of departure for future research into the organisational change process. Kee and Knox (1970), Cook and Wall (1980) and Gambetta (1988) all note that trust is an area that hasn’t received proper attention in the academic literature. This study and that of Addison (1997) has confirmed the important role trust plays in the organisational change process. Future studies should take this further by specifically designing research studies to investigate issues of trust and how it affects the organisational change process. This will lead to a better understanding of the concept of trust as well as a better understanding of the organisational change process.

The role the selection process plays in determining competence, integrity, communication skills and ability to work in a team environment has been well documented in the academic literature. However very little has been researched on the role the selection process plays in instituting trust in organisations. Future research should investigate the relationship between the selection process and trust, and further develop the findings of this study.

This research has investigated change at two levels, the institutional level and the organisational level. The New Zealand industry is distinctively different from The Gambia, as it comprises of several separate and independent sectors whereas in The Gambia, the industry is the same as the organisation. A two-level study was undertaken because the changes in both countries involved the concept of privatisation which is better understood by studying it at more than one level (Ramamurti, 2000). Fox-Wolgramm et. al (1998) also note that any study of change
should adopt a multi-level perspective. However, the qualitative research literature (Bogdan and Biklen, 1982; Taylor and Bogdan, 1984) notes that better results are obtained from a qualitative study if analysis is confined to a single level. However, the unique nature of these two industries made it difficult to confine the analysis and findings to one level. Future research on the organisational change process that utilises qualitative techniques could be designed and case selection carried out such that this uniqueness is eliminated and the research is confined to one level of analysis.

The WB/IMF role in LDCs will continue for the foreseeable future. Future comparative research could be designed to study the outcomes of reforms that are externally induced and those that are internally generated to confirm or refute the findings of this study.
APPENDICES

Appendix One

Introduction
The reform programmes in New Zealand and The Gambia have had a high legislative input into them. The legislation served to define the institutional framework necessary for reform and were largely responsible for the organisational forms that were adopted (DiMaggio and Powell, 1983). References have been made in the body of the thesis to the various pieces of legislation that have guided the reform programmes, especially in the case studies detailing change in the two electricity industries. Appendix One outlines some of the main legislation and how they have guided the reform programme in the electricity industries in New Zealand and The Gambia. Some pieces of legislation were economy wide (the SOE Act 1986 and the Public Enterprises Act 1990), and others were industry specific (the GUC Act 1972, the Energy Companies Act 1992, and the Electricity Industry Reform Act 1998).

State-Owned Enterprise (SOE) Act 1986
Prior to the State-Owned Enterprise (SOE) Act 1986 state-trading enterprises played a major role in the provision of services in the New Zealand economy. State trading activities were carried out through government departments subject to tight central control of funds, capital works investment, and staffing. There were no incentive structures in place for attracting and hiring employees, and government employees received much less than their counterparts in the private sector. The absence of
Incentives resulted in lower performance and efficiency levels within the enterprises (McKinlay, 1987).

In 1985 the fourth Labour government published five general principles for the re-organisation of state trading activities to make them more efficient (Duncan and Bollard, 1992). The five principles were:

i. Non commercial functions to be separated from major state trading activities.

ii. Managers would be required to run state trading activities as successful businesses.

iii. Managers would be responsible for the pricing and marketing of products within performance objectives agreed upon with the government.

iv. Enterprises would be expected to operate in a neutral environment i.e. there would be no competitive advantage or disadvantage within their specific industry.

v. Enterprises would be set up under the guidance of a Board of Directors modelled along private sector lines.

These five principles led directly to the formulation of the SOE Act 1986. The objectives of the Act were to change, in a fundamental way, the manner in which commercial activities of government enterprises were managed and controlled (Spicer et. al, 1996). The overall aim of the Act was to enhance the effectiveness and improve the efficiency of these enterprises. The Act allowed for state trading departments to be transformed into limited liability companies through the process of corporatisation. The newly formed companies were to be bound by the same laws as companies in the private sector (the Companies Act 1955 and the Commerce Act 1986).
The SOE model was designed to develop a more efficient governance structure short of full privatisation and the full reallocation of property rights (Spicer et. al., 1996). The Act indicated that a clear commercial focus was expected, and companies were to operate as successful businesses and “be as profitable and efficient as comparable businesses that are not owned by the Crown” (section 4(1)). The corporatisation process was undertaken in New Zealand to remove or replace mixed, inconsistent, discretionary and non-monitorable objectives with clear, consistent and commercially measurable objectives (Duncan and Bollard 1992). The Act provided for the separation of policy and regulatory objectives from operations. It also required the distancing of politicians, in particular ministers, from the day to day operation of the new corporations. Success of the new corporations was to be measured in terms of rates of return on assets and capital (McKinlay, 1987) as well as using appropriate performance measures such as profitability (Spicer et. al., 1996).

One of the fundamental requirements of the SOE Act 1986 was for the government and the corporations to agree on a Statement of Corporate Intent (SCI). The SCI was to be the instrument that would be used for SOE monitoring. Included in the SCI was to be an agreement between the parties on the corporate objectives, the scope of activities, accounting policies, performance targets, estimated returns and commercial valuations. The SOE Act 1986 also provided for a board of directors to be the link between government and the management teams, in other words a separation of management from control (Fama and Jensen, 1983a, 1983b). The Act made provisions for non-commercial activities to be undertaken by SOEs. However, if such an activity was required of an SOE by the Crown, payment was to be received from the Crown for the non-commercial services provided (section 7).
The SOE Act 1986 had a wide impact and after its introduction there was a marked increase in efficiency of most government trading departments. Duncan and Bollard (1992) document some of the efficiency gains made by the newly formed corporations that were a consequence of the Act.

Previous to the SOE Act 1986, the public sector (both local and central government) was unable to recruit and retain the skilled personnel required for commercial operations because of the lack of pay flexibility in the sector (Boston et. al, 1996). The new commercial environment, brought about by the SOE Act 1986, necessitated a reform of labour laws to enable public sector companies to enhance their efficiencies. New skills were needed in running the commercial operations required of the corporations, and it was necessary to source these skills from the private sector. The Labour Relations Act 1987 and the State Sector Act 1988 brought labour legislation in the public sector and state-owned enterprises into line with those in the private sector. Responsibility for remuneration was transferred from a central body, the State Services Commission (SSC), to the boards of the newly formed companies. The Employment Contracts Act 1991 was designed to give employees the option of either entering into individual contracts with their employers, or entering into collective agreements. The Employment Contracts Act 1991 was based, like the SOE Act 1986 and the State Sector Act 1988, on neo-liberal ideas. Under the Employment Contracts Act 1991, compulsory unionism was abandoned, and unions had less power. Unions were relegated to the status of incorporated societies and were allowed to represent employees as agents (Castles et. al., 1996; Dannin, 1997).
**Energy Companies Act 1992**

The electricity industry in New Zealand is made up of the generation, transmission, distribution and retailing sectors. Generation and transmission were run as departments under the national government, while local body authorities undertook the distribution and retailing of electricity. The SOE Act 1986 applied only to the generation and transmission sectors of the industry. It was felt, however, that the efficiency gains that resulted from corporatisation were captured by the demand side (distribution and retailing) of the industry and not passed on to the consumers. The Energy Companies Act 1992 was designed to bring changes to the demand side of the industry that would correspond to the changes made earlier on the supply side (generation and transmission). It was felt that these changes were necessary to make the industry more efficient.

Prior to 1992, the demand side of the industry was made up of Electric Power Boards (EPBs) with locally elected board members and Municipal Electricity Departments (MEDs), which were owned by local councils. Each of these local authorities operated within defined geographical areas known as franchise areas. The Energy Companies Act 1992 required the transformation of all EPBs and MEDs to Electric Power Companies (EPC) with limited liability, under the Companies Act 1955. The Act catered for the removal of the franchise areas, and allowed customers to freely choose retailers across the once historical boundaries, if they so desired. The Act was also designed to encourage the formation of new energy companies through mergers and acquisitions of existing local authorities in order to bring down the high number of electricity distributors and retailers. The inefficiencies on the demand side of the
industry were partly attributed to the high number of companies in the industry. A study carried out by Putnam Hayes and Barlett (1989) showed that economies of scale, on the demand side of the industry, could only be achieved if companies had a minimum of 20,000 customers. Most power companies, except the ones that served the big cities, had less than 20,000 customers. Small rural townships and communities had power companies that had less than 10,000 customers. These small number of consumers and the many distribution companies were partly responsible for the inefficiencies on this side of the industry.

The principle objective of the Energy Companies Act 1992 was that energy companies should operate as successful businesses (section 36(1)) with each company being governed by a board of commercial directors. The Act also provided for a statement of corporate intent (SCI) to be agreed upon between the shareholders and management of the companies through the board. In this respect the Energy Companies Act 1992 was similar to the SOE Act 1986.

As a direct consequence of the Act some local authorities merged with neighbouring authorities, which reduced the number of companies from fifty-nine in 1992 to thirty-seven by 1997. Most of the EPBs, which previously had no owners, were transformed into companies with trust ownership with the local consumers being the shareholders. Some larger EPBs, however, opted for majority public shareholding on the New Zealand Stock Exchange.

Reform on the demand side of the industry progressed slowly compared to that on the supply side. Read (1997) attributes the slow pace of reform to the complexities of
having to deal with a much greater number and variety of organisations. The slow process of obtaining government and Commerce Commission approval for mergers and acquisitions also stagnated the reforms on the demand side.

Electricity Industry Reform (EIR) Act 1998

The reforms in the electricity sector brought about a lot of improvements (Duncan and Bollard, 1992; Spicer et. al., 1996; Read, 1997); however, the anticipated levels of efficiency in the industry were not realised. This prompted the government to initiate further reforms in the industry in 1998. The demand side of the industry had historically developed as vertically integrated companies, with EPCs being responsible for both the distribution and retailing of electricity. The supply side of the industry had only two major players with disproportionate market shares. Government officials felt that this institutional framework inhibited competition in the industry and as a result, the government decided to introduce the Electricity Industry Reform (EIR) Act 1998 to enhance more competition in the electricity industry. It was hoped that the changes that were required by the EIR Act 1998 would lead to lower power prices for all consumers.

The EIR Act 1998 affected both the supply and demand sides of the industry. On the supply side, in order to enhance competition, the Act required that the dominant generator ECNZ be split into three competing generators. This split would increase the number of generators and make the market shares of each generator in the industry more proportional, thereby increasing competition on the supply side. On the demand side, the Act required EPCs to separate their lines businesses from retailing. This was to eliminate risks of cross-subsidisation of retail businesses by the natural monopoly
lines businesses. The separation was also required to eliminate restrictive access conditions that incumbent line owners put in place to inhibit competition in what was once their exclusive franchise area. The separation was also instituted to remove any cross subsidisation of uneconomic generation investments by the lines businesses, as some demand side companies had invested in generation as well. Separation in the demand side of the industry was expected to increase competition in the retailing of energy. The expectations of the EIR Act 1998 were that further rationalisations would take place in the lines businesses bringing the number of companies down from thirty-seven.

The government has, however, threatened to introduce further legislation in the industry in the event that prices, which have risen since the introduction of the EIR Act 1998, become uncontrollable. The reforms in New Zealand up to this stage have been largely based on light-handed regulation based on the Commerce Act 1986 and the threat of regulation. The Commerce Act 1986 is a general piece of legislation meant to curb anti-competitive behaviour in the New Zealand economy. Attempts were made in late 1999 to introduce special regulatory legislation to arrest the price increases, which resulted after separation in April 1999. However, this attempt by the National led government did not receive the required support from all parties in parliament and as a result the government was unable to get the legislation through. A ministerial inquiry was set up by the new Labour led coalition government to review the reforms in the electricity industry that resulted from the EIR Act 1998. The report from this inquiry indicated that regulation was indeed necessary in the electricity industry to curb rent seeking behaviour by both lines and energy businesses.
The Gambia Utilities Corporation (GUC) Act 1972

The GUC Act 1972 was responsible for the amalgamation of the Water Works and the Electricity Departments of the Ministry of Works into a commercially oriented corporation. The corporation was expected to operate on sound commercial lines (section 14(1)) and to ensure that its revenues were sufficient to produce a reasonable rate of return to its shareholder (the government). Section 14(2) of the Act required the rates of return for each financial year to be determined a priori by the minister in charge of the corporation together with the Minister of Finance (shareholding ministers). This was similar to the requirement in New Zealand to have a Statement of Corporate Intent (SCI) between the government and the SOEs.

The GUC Act required the governing body of the corporation to be a board of directors that was to be appointed by the minister responsible for the corporation (section 5(1)). The responsibilities of the board included the formulation of policy to achieve the objectives set by government and making sure that management took steps to implement these policies (section 5(6)). The MD was to be appointed by the minister in consultation with the board. However this was never adhered to and the President made all the appointments to the position of MD. Tariffs were to be determined by the board; however, approval was needed from the shareholding ministers and parliament before any revision of tariffs could become effective. The GUC Act 1972 catered for non-commercial activities to be undertaken by the corporation however, compensation was to be received from the government for any non-commercial activity or service undertaken by GUC (section 15).
State-Owned Enterprises or parastatals, as they are better known, in The Gambia suffered from government and political interference in the late seventies and throughout the eighties. The government introduced the Public Enterprise Act 1990 to promote improved performance in state trading activities as most of the parastatals in the country were underperforming in economic terms as well as to curb ministerial interference in the activities of the parastatals.

The principal objective of every public enterprise, as stipulated by the Act, was to operate as a successful business and to be as profitable and efficient as possible (section 3). The Act allowed for the reformulation of existing boards to give them a commercial orientation. The new directors were required to assist the enterprises to achieve their principal objectives (section 4(1)). The Act, however, vested a lot of power and authority in the President. The President was responsible for appointing the directors (section 23(1)) as well as the managing director (section 25(1)). It was believed that this authority would curb ministerial and political interference in the operations of the public enterprises (PE). It was felt that ministers and politicians were less likely to interfere when they knew that they would be accountable to the President for their actions.

Under the Act it was expected that a formal statement of intent would be agreed upon between the PEs and the government detailing the expectation from the PEs and the obligations of the government. This was meant to encourage maximum performance and to clarify objectives (section 9). Any contract agreed upon would specify the scope of commercial services and non-commercial activities of the PEs, as well as the
performance targets. An incentive scheme for management performance, including penalties for lack of performance, was also to be included in the agreement between the government and the PE (section 10). Any non-commercial objectives sanctioned by the government and undertaken by the PEs which were not in line with the financial objectives of the PEs, were to be paid for by the government in whole or in part (section 6).

Section 14 of the Public Enterprise Act 1990 allowed the government to form corporations for taking over the activities of any PE, or forming new PEs to carry out any activity on behalf of the government. UHC and subsequently Nawec were formed utilising the provisions of this clause. UHC was formed as a holding company and all the assets of GUC were vested in the holding company. Nawec was formed as a limited liability company to undertake the supply of water and electricity in The Gambia, and took over the operations of the UHC, which had been responsible for operations after the MSG contract was terminated. Section 17 of the Act allowed a PE to hire or lease any movable or immovable property of the PE. This clause allowed UHC to lease its assets under a management lease contract to Sogea. Sogea in turn established MSG to run the operations of the assets leased from UHC.

**Conclusion**

The above description of the various pieces of legislation guiding the reform programmes in the electricity industries in New Zealand and The Gambia point out a number of similarities in the legislative framework. The institutional frameworks guiding the reforms had a heavy commercial focus and were all meant to bring about one form of privatisation or the other in the electricity industries. Both were
influenced by agency theory, even though when the GUC Act 1972 was introduced, agency theory was still in its infancy. The monitoring mechanisms contained in the SOE Act 1986 and the Public Enterprise Act 1990 both adopted governance and control mechanisms based on agency theory. The monitoring mechanisms were also similar and made provision for rates of return and profitability to help in determining performance. The various Acts made provisions for non-commercial activities to be carried out, but required payment for any such activities to be made to the enterprises concerned. There was clearly a noticeable trend towards the homogenisation of the institutional frameworks in the two countries (DiMaggio and Powell, 1983).
Appendix Two outlines the interview schedule that served as an "aide-memoire" (Bryman, 1989) and reminded me of the topics I wanted to cover during my interviews in The Gambia and in New Zealand. The "aide-memoire" was divided into four sections as I felt that asking questions under these sections would enable me to find out what actually happened in the two change programmes. The answers obtained from the questions in the four sections would also enable me, during analysis, to gain a better understanding of the process of organisational change. From the "aide-memoire" I was able to make up the specific questions I wanted to ask for each section. Each interview had its own aide-memoire, because the aide-memoire guided me along and I ticked the areas under each section as I covered them in each interview. The aide-memoire varied according to the person being interviewed. If the interviewee was predominantly a human resources expert, I ensured that more focus was placed on the human resources questions that I had developed. I did not go from section to section in the manner written down below but jumped from one to the other depending on what the respondent was talking about. This was to ensure that the interview flowed smoothly and not too structured, as this would have led to disjointed answers. The ticks beside each area enabled me to know which areas I still hadn't covered and I was able to come back to these before the end of the interview. The notes written on the "aide-memoire" and the answers received from the previous interview assisted me in drawing up the "aide-memoire" for the next interview.
Why Change?

Why was there the need for change?

Ideology?

How Change?

How were the changes implemented?

Who/what is driving the change?

Speed of change?

Structural change?

Selection and rewards?

Leadership of change?

Problems?

Resistance to change?

Politics/governmental problems?

People problems/Staffing problems?

Outcomes?

Price? Profitability? Investment?

Costs? Cultural change?
Appendix Three

This Appendix contains the list of codes which were developed through the process of coding and data analysis. As an example of the coding process, all of the data which were coded to the category selection are also provided to illustrate how data were conceptualised through the use of codes which were astringent as they pulled together a lot of material thus permitting analysis (Miles and Huberman, 1994). The category selection was not determined a priori but it was allowed to emerge as emergent categories usually prove to be the most relevant and best suited to the data.

I think the introduction of the present MD is quite sad as he has been known for what he did in the past. He is someone who vehemently believes in the principle of establishing camps and during his first stint as MD the environment was very unhealthy as there were a lot of camps especially in the senior management team. He is also known to have been spreading stories about the removed MD even before he was removed and went to all quarters to see that his deal goes through and that resulted in the changing of guard and it saw him return as MD.

It is also the president's prerogative to employ the MD, but it is also important to employ a MD that is conversant with the requirements of the sectors.

They took people with the expectation that people were able to do the job so if you are not able to do the job that is why they weeded a lot of people at the onset when the took over.

Before they took over, they came here enquiring about the qualification of each and every individual that was employed with GUC and it was in consultation with us who were here.

The structure was there but they needed these number of people and instead of needing four for a job they said we need two and we decided on that and the others would go and of course based on the capability and the capacity of the workers was taken into consideration.

When UHC came in they felt that there were areas that needed additional manpower and therefore they recruited people that were ousted by MSG at the time.
The right people have not been appointed both at the management level and at the board level.

The choice of MD should be made more prudently, qualifications aside, than has been done in the past. It is necessary for you to look into the character of the individual before an appointment is made.

The present MD has served in the corporation before as an engineer and he was sacked. He later came in as MD and was again sacked and he has now been brought in again. I wish him luck.

There is a gross conflict of interest as he is the owner of Banjul Electric Company which has just signed a D280 million contract to build a power house and he is also MD of NAWEC. I feel that this is unethical and should not have been allowed at all. Such appointments are what lead to reckless behaviour on the part of management.

The selection of people into management positions is very important and also into board positions is of utmost importance.

I believe the boards should have people with private sector experience who are handling companies with turnover in the millions because then the tendency that they would be tempted to do something inappropriate for small sums of money is unlikely. This problem is also in the management of NAWEC, we are talking of a D200 million company and we need to pay people well and also honesty should be the yardstick for appointment into senior positions.

I do agree that this is difficult, but this is a small country and everyone knows everyone and we do know of people’s past history and these should be taking into consideration when appointments are made.

There has been too much overstaffing in the sector and the sector needs efficient people who are employed not for the sake of employing but rather for their competence and they are promoted on merit and ability. We really need more competent people in the sector.

Another area in which major gains have been made is that the previous board was very involved in getting the right type of people in the organisation within the normal constraints of government. Senior people were vetted before being promoted or appointed to any position within the company. However there were occasions when this was beyond the control of the board.

As I have stressed throughout this interview we are dealing with a D200 million company and it was necessary that we have people who have good characters to run the company as the likelihood of corruption is great especially if we have unscrupulous people appointed.
Well in Africa we have some come in by the back door but generally we have a set criteria to select people especially in the engineering sector. We however take people from GTTI who have either O level or A level.

The key is to have the right people in the right place and have less interference from government and that is the problem.

It is good to have people who are knowledgeable in the regulatory body so that they would be able to argue issues and also that they are not baffled by too much technical details.

Well for selection I guess the best criterion is to have square pegs in square holes, get the right person for the job. As far as I was concerned I tried to do that as far as possible although sometimes mistakes could be made.

The whole chain of activity was broken down into task and then the tasks were grouped together into jobs and it was after all these things had been done and then started assigning individuals to job, but we forgot about everything else names individuals and everything and identified what needed to be done and after we felt that we had it right and tasks had been identified and lumped together into jobs and then we started putting people into jobs and we found out that we needed some more people. We got some new people and some of the old people who had very good track records were reinstated. Some of the people in GUC had very bad track records, some of them were involved in dubious activities. We also realised that MSG had their bad elements and we made sure that some of these bad elements were never brought back to NAWEc.

Well initially people were given questionnaires to ask whether they wanted to be employed by MSG or UHC, but it was made clear that the holding company would only take 18 people and so naturally most people chose MSG. It was also stated that if MSG did not find a suitable position for you they would pay you six months salary and it was left from MSG to choose.

They naturally had help from the Gambians who were around. There was a lot of infighting in this process and if a Gambian manager did not like a subordinate, he would give a bad or false report about that subordinate and this happened a lot.

We recruited competent people and we recruited an HR manager responsible for HR and admin for the first time, we also recruited a corporate planning manager and we recruited two mechanical engineers.

We also had problems getting professional staff especially engineers and it has been difficult. For the last three years we advertised for these positions but we have only been able to get one or two and there
are still a lot of vacancies in the sector for skilled professionals. On the IT side we have also been unable to recruit an IT manager and computer engineers are difficult to get mainly because of the salary structure as most of them prefer to work in the private sector.

We decided to make it transparent and advertised all positions and the board interviewed all the candidates.

You only have to develop the ability to recognise that capacity and utilise it and when I say recognise and utilise it I mean round pegs in round holes. We are trying to get people who know the industry and can strategise and move the industry forward and that is what we are trying to do.

The SOS normally recommends to the President for appointment to the board we feel that it is people who are capable and not just go to sit on board meetings but have to contribute meaningfully to the development of that institution and ask pertinent issue when you are discussing papers.

People were hired and put into the system without any prior knowledge of what electricity was.

In terms of both administrative and technical management of the system, the people responsible that is the managers responsible for hiring people in the system in my opinion were not competent and employment was based on things such as political affiliation and that sort of thing.

We have however stopped hiring illiterates, I have personally stopped and we only take illiterates now as labourers and for any other jobs you must have some qualifications and this was started in 1995.

The days are gone when we were employing illiterates and now we are employing technical people from places like GTTI.

We also have a board sub-committee for recruitment on senior positions and a management sub-committee for recruitment in junior positions.

The manner in which the management team is selected leaves much to be desired.

The managers to serve under the holding company were all handpicked and most of them did not have the necessary qualifications nor expertise to monitor the leasing arrangement.

Well that was done by the board. Government appointed the MD and the board selected the remaining staff and the positions were all
advertised. At the lower levels, the management advertised the posts and selected the applicants.

They then decided that for this unit we will need so many people to do this such as erecting a pole and then they employed the GUC people to guide them as to who the best people were to stay in the unit.

I think parliament thought that it was best for the president to appoint the MDs of public corporations and these were the rules as laid down and approved by parliament.

The data for the New Zealand and Gambian cases were coded separately. The New Zealand case yielded 176 nodes as two levels were utilised in coding — the industry and the organisational level. The Gambian case had a total of 103 nodes as only one level was used, as the industry and the organisation were one and the same. The categories used for coding in the study are listed below.

**New Zealand**

1= /New Zealand
2= /New Zealand/Industry Perspective
3= /New Zealand/Industry Perspective/Changes within the industry
4= /New Zealand/Industry Perspective/Changes within the industry/Ideological change
5= /New Zealand/Industry Perspective/Changes within the industry/Work Practice change
6= /New Zealand/Industry Perspective/Changes within the industry/Basics
7= /New Zealand/Industry Perspective/Changes within the industry/Changes
8= /New Zealand/Industry Perspective/Changes within the industry/isomorphism
9= /New Zealand/Industry Perspective/Changes within the industry/Domination
10= /New Zealand/Industry Perspective/Changes within the industry/Outside influence
11= /New Zealand/Industry Perspective/Changes within the industry/Cooperation and Communication
12= /New Zealand/Industry Perspective/Changes within the industry/Technological change
36= /New Zealand/Industry Perspective/Competition/Benefits/Choice
37= /New Zealand/Industry Perspective/Competition/Collusion
38= /New Zealand/Industry Perspective/Problems
39= /New Zealand/Industry Perspective/Problems/Interest group
40= /New Zealand/Industry Perspective/Problems/Change Time
41= /New Zealand/Industry Perspective/Problems/problems of the split
42= /New Zealand/Industry Perspective/Problems/Coordination
43= /New Zealand/Industry Perspective/Problems/Privatisation Problems
44= /New Zealand/Industry Perspective/Problems/Ideological
45= /New Zealand/Industry Perspective/Problems/Lack of Understanding
46= /New Zealand/Industry Perspective/Problems/Regulation Problems
47= /New Zealand/Industry Perspective/Problems/Problems due to competition
48= /New Zealand/Industry Perspective/Problems/Political
49= /New Zealand/Industry Perspective/Problems/Environment
50= /New Zealand/Industry Perspective/Problems/Imperfection
51= /New Zealand/Industry Perspective/Problems/Community problems
52= /New Zealand/Industry Perspective/Problems/Capture of gains
53= /New Zealand/Industry Perspective/Problems/Market Problems
54= /New Zealand/Industry Perspective/Problems/Government Problems
55= /New Zealand/Industry Perspective/Problems/Lack of competition
56= /New Zealand/Industry Perspective/Problems/Complexity
57= /New Zealand/Industry Perspective/Problems/Cultural problems
58= /New Zealand/Industry Perspective/Problems/People problems
59= /New Zealand/Industry Perspective/Problems/Price
60= /New Zealand/Industry Perspective/Problems/Inefficient
61= /New Zealand/Industry Perspective/Problems/disruptive
62= /New Zealand/Industry Perspective/Problems/Cost
63= /New Zealand/Industry Perspective/Change Drivers
64= /New Zealand/Industry Perspective/Outcomes
65= /New Zealand/Industry Perspective/Outcomes/Productivity and reduction in numbers
66= /New Zealand/Industry Perspective/Outcomes/Profitability
67= /New Zealand/Industry Perspective/Outcomes/Success
68= /New Zealand/Industry Perspective/Outcomes/Cost reduction
69= /New Zealand/Industry Perspective/Outcomes/Price
70= /New Zealand/Industry Perspective/Outcomes/Efficiency
71= /New Zealand/Industry Perspective/Outcomes/new jobs
72= /New Zealand/Industry Perspective/Outcomes/Customer benefit and reaction
73= /New Zealand/Industry Perspective/Outcomes/Unfavourable outcomes
74= /New Zealand/Industry Perspective/Outcomes/Learning
75= /New Zealand/Industry Perspective/Outcomes/competition
76= /New Zealand/Industry Perspective/Outcomes/Transparency
77= /New Zealand/Industry Perspective/Outcomes/Fluidity-flexibility
78= /New Zealand/Industry Perspective/Outcomes/Commercialisation
79= /New Zealand/Industry Perspective/Regulation
80= /New Zealand/Industry Perspective/Regulation/adequacy?
81= /New Zealand/Industry Perspective/Regulation/Information disclosure
82= /New Zealand/Industry Perspective/Ownership Options
83= /New Zealand/Industry Perspective/Ownership Options/Government ownership
84= /New Zealand/Industry Perspective/Ownership Options/Private ownership
85= /New Zealand/Industry Perspective/Ownership Options/Private ownership/Foreign Ownership
86= /New Zealand/Industry Perspective/Benefits (Pri. & SOE)
87= /New Zealand/Industry Perspective/Training
88= /New Zealand/Industry Perspective/Risk
89= /New Zealand/Industry Perspective/Investments
90= /New Zealand/Industry Perspective/Industry Security
91= /New Zealand/Industry Perspective/Industry response
92= /New Zealand/Industry Perspective/Industry Background
93= /New Zealand/Industry Perspective/Electricity market
94= /New Zealand/Industry Perspective/Electricity market/Benefits
95= /New Zealand/Industry Perspective/Cross subsidisation
96= /New Zealand/Industry Perspective/Government
97= /New Zealand/Industry Perspective/Government/Role in industry
98= /New Zealand/Industry Perspective/Government/Interference
99= /New Zealand/Industry Perspective/Corporatised
100= /New Zealand/Organisational Perspective
101= /New Zealand/Organisational Perspective/Change within the Organisation
Organisational Perspective:
Change within the Organisation:
- Ideological change
- Work Practice change
- Changes
- Separation
- New CEO
- Causes
- Outside influence
- Communication
- Empowerment and autonomy
- Internally driven Change
- Management driven
- Participatory
- CEO Driven
- Cultural Change
- Downsizing
- Selection
- Change time
Use of consultants in implementing change

Old Management Style

Rationalisation

New management style

Focus and vision

New management style/team

Structural change

Exit strategy

Employment contracts

Isomorphism

Planning

training and qualifications

Strategy

Background

Occupation

Qualification

Responsibility

Length of Involvement

Problems

Interest group

Time taken to change
140= /New Zealand/Organisational Perspective/ Problems/government
141= /New Zealand/Organisational Perspective/ Problems/internal problems
142= /New Zealand/Organisational Perspective/ Problems/Old people
143= /New Zealand/Organisational Perspective/ Problems/Problems of outsourcing
144= /New Zealand/Organisational Perspective/ Problems/Lack of understanding
145= /New Zealand/Organisational Perspective/ Problems/Complacency
146= /New Zealand/Organisational Perspective/ Problems/Costs
147= /New Zealand/Organisational Perspective/ Problems/Staffing problems and redundancies
148= /New Zealand/Organisational Perspective/Privatised Ownership
149= /New Zealand/Organisational Perspective/Outcomes
150= /New Zealand/Organisational Perspective/Outcomes/Productivity
151= /New Zealand/Organisational Perspective/Outcomes/Profitability
152= /New Zealand/Organisational Perspective/Outcomes/Cost Savings
153= /New Zealand/Organisational Perspective/Outcomes/Diversification
154= /New Zealand/Organisational Perspective/Outcomes/Success
155= /New Zealand/Organisational Perspective/Outcomes/Staff reduction
156= /New Zealand/Organisational Perspective/Outcomes/Efficiency
157= /New Zealand/Organisational Perspective/Outcomes/Culture change
158= /New Zealand/Organisational Perspective/Outcomes/Work environment
159= /New Zealand/Organisational Perspective/Company History
160= /New Zealand/Organisational Perspective/Company History/Power net
161= /New Zealand/Organisational Perspective/Company History/Mainpower
162= /New Zealand/Organisational Perspective/Company History/Delta
163= /New Zealand/Organisational Perspective/Reward Systems
164= /New Zealand/Organisational Perspective/Reward Systems/Performance related pay
165= /New Zealand/Organisational Perspective/Reward Systems/Satisfaction and recognition
166= /New Zealand/Organisational Perspective/Reward Systems/Performance management
167= /New Zealand/Organisational Perspective/Employee Response to change
168= /New Zealand/Organisational Perspective/Employee Response to change/Employee support
The Gambia

1 = /The Gambia
2 = /The Gambia/Background (prior to 1972)
3 = /The Gambia/Culture
4 = /The Gambia/Culture/GUC Culture
5 = /The Gambia/Culture/MSG Culture
6 = /The Gambia/Culture/UHC NAWEC Culture
7 = /The Gambia/Management Style
8 = /The Gambia/Management Style/Autocratic
9 = /The Gambia/Management Style/leadership
10 = /The Gambia/Management Style/Team effort
11 = /The Gambia/Management Style/Autonomy & Delegation
12 = /The Gambia/Management Style/Consultative & Participative
13 = /The Gambia/Management Style/Problems with management style
14 = /The Gambia/Management Style/Management competence
15 = /The Gambia/Rewards & Incentives
16 = /The Gambia/Rewards & Incentives/Performance related reward
17 = /The Gambia/Rewards & Incentives/Low remuneration
18 = /The Gambia/Change
19 = /The Gambia/Change/Structural or institutional Change
20 = /The Gambia/Change/Economic wide reform
21= /The Gambia/Change/Change drivers
22= /The Gambia/Change/Change problems
23= /The Gambia/Change Cause
24= /The Gambia/Corruption
25= /The Gambia/Corruption/Nepotism
26= /The Gambia/Corruption/Conflict of interest
27= /The Gambia/Investment
28= /The Gambia/Problems
29= /The Gambia/Problems/Staff problems
30= /The Gambia/Problems/Staff problems/Camps
31= /The Gambia/Problems/Staff problems/Infighting
32= /The Gambia/Problems/Technical problems
33= /The Gambia/Problems/Capacity
34= /The Gambia/Problems/Lack of autonomy
35= /The Gambia/Problems/Disorganisation
36= /The Gambia/Problems/Lack of understanding
37= /The Gambia/Problems/Human resource inadequacy
38= /The Gambia/Problems/unclear definitions
39= /The Gambia/Problems/Lack of resources (financial)
40= /The Gambia/Problems/resistance to change
41= /The Gambia/Problems/Lack of experience
42= /The Gambia/Problems/Management problems
43= /The Gambia/Consultants
44= /The Gambia/Outcomes
45= /The Gambia/Outcomes/Profitability
46= /The Gambia/Outcomes/Working as a team
47= /The Gambia/Outcomes/capacity and network expansion
48= /The Gambia/Outcomes/Costs
49= /The Gambia/Privatisation
50= /The Gambia/Privatisation/Management lease contract
51= /The Gambia/Privatisation/Management lease contract/Benefits
52= /The Gambia/Privatisation/Management lease contract/problems
53= /The Gambia/Privatisation/Privatisation problems
54= /The Gambia/Privatisation/Joint Venture
55= /The Gambia/Privatisation/benefits of privatisation
56= /The Gambia/Privatisation/Management Support contract
57= /The Gambia/Privatisation/Management Support contract/Benefits
58= /The Gambia/Privatisation/Management Support contract/problems
59= /The Gambia/Privatisation/Caution about privatisation
60= /The Gambia/Downsizing
61= /The Gambia/Downsizing/Exit strategy
62= /The Gambia/Downsizing/Downsizing problems
63= /The Gambia/Downsizing/Overstaffing
64= /The Gambia/Regulation
65= /The Gambia/Mimetic Isomorphism
66= /The Gambia/Commercialisation
67= /The Gambia/Commercialisation/Lack of commercialisation
68= /The Gambia/Accountability
69= /The Gambia/Selection
70= /The Gambia/Lack of focus
71= /The Gambia/Water & Electricity Separation or integration?
72= /The Gambia/Engineering Dominance
73= /The Gambia/Splitting electricity
74= /The Gambia/Participation
75= /The Gambia/Pricing
76= /The Gambia/External Pressures
77= /The Gambia/Rate of change
78= /The Gambia/Government
79= /The Gambia/Government/Government ownership
80= /The Gambia/Government/Government role
81= /The Gambia/Government/Government Policy
82= /The Gambia/Government/Problems to do with Government
83= /The Gambia/Government/Policy framework
84= /The Gambia/Government/Interference
85= /The Gambia/Government/political problems
86= /The Gambia/Competition
87= /The Gambia/MD Turnover
88= /The Gambia/MD Turnover/lack of continuity
89= /The Gambia/Planning
90= /The Gambia/Planning/Lack of planning
91= /The Gambia/Control & monitoring
92= /The Gambia/Introduction of outsiders
93= /The Gambia/Communication
94= /The Gambia/Performance Contract MOU
95= /The Gambia/Training
96= /The Gambia/Training/Lack of training
97= /The Gambia/Implementation of change
98= /The Gambia/Outsourcing
99= /The Gambia/Consumer relations & reactions
100= /The Gambia/Board of Directors
101= /The Gambia/Organisational structure
102= /The Gambia/Costs
103= /The Gambia/Costs/Cost cutting
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