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Role of International Management Contract in Corporate Strategic Goal Realization:

The case of Ethiopian Electric Utility/EEU

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Declaration

I, undersigned, hereby assert that the work entitled “Worth of international management contract on corporate strategic realization” is an original paper of my own which I have produced it independently with the exception of guidance and suggestion of my research advisor and willing full collaboration of EEU employees and executive officers.

It is offered for the partial fulfillment of the Degree of Master of Business Administration [MBA] in General Management. This study has not been presented for any scholastic completion in this university or in any other higher academic Institutes. All the sources of the materials reviewed in this dissertation have been acknowledged.

By: Dagmawi Anwar

Signature______________________________
Date_________________________________

Endorsement

I, hereby certify that, Mr. Dagmawi Anwar student of Masters of General Business Administration at St. Mary University, Department of General Business Administration, School of Graduate Studies, has completed his research project on "Worth of international management contract on corporate strategic realization", under my advice, guidance and supervision.

Advisor	Signature & Date

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I would also like to express my appreciation to those who have endowed me with precious access to corporate informational assets.

Acronyms

APQC (American productivity and quality center)

Bain &Co (Bain and company)

BOT (Build, Operate, and Transfer)

BPM (Business process management)

EEP (Ethiopian electric power)

EEU (Ethiopian electric utility)

PAT (principal agent theory)

PCF (Process classification framework)

PGCI (Power Grid Corporation India)

PPI (Private sector participation in infrastructure)

TPO (Transformation program office)

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Abstract

This survey research is an introductory study that has been planned to appraise the perceived strategic basis gained due to the ruling of a management contract in Ethiopian electric utility. With an objective to magnify the definite impact of management outsourcing on corporate performance, utility specific strategic dimensions are thoroughly considered to effect in decisional spectrum enabling to avail inductive recommendation as well as consultative reference for prospective undertakings and comparable future endeavors that other companies might foresee to participate in. Giving due concern on limited duration of the contractual time period inquiring instruments were devised in such a way that would make it possible to focus the assessment on how successful the outsourcing was to instill systematic organizational foundation and business baseline that ascertains utility's tendency to continually attain the aspired strategic intents in the long run. The target populations of the study were 302 employees residing at various organizational positions and 15 of them have been top level and executive managers. While the staffs were selected deploying a stratified sampling technique, department heads and members of senior management were methodically specified from eligible functional divisions in alignment with the research scope. Depending on the very nature of this paper a descriptive study design was maintained to define the collection, measurement and analysis of data. The analysis outcome signified that the outsourcing of EEU's management had varying magnitude of significance across range of corporate divisions and strategic themes under investigation. Among the four strategic intents considered; process excellence, sustainable growth and IT enablement (ongoing ERP project/future oriented) aspects have showed significant improvement as a result of the management outsourcing. As opposed to this customer centricity, capacity building and IT enablement (operational/current information system enrichment) pillars are not achieved to the expected extent, revealing insignificant association with management contract.

Key words- Management contract, Strategic realization, Electric utility

Chapter one
Introduction

1.1. Background

International management contracts are gaining attention as an integral element of organizational reform, strategic readjustment and private sector participation (PSP) in fast growing companies of the developing world. A policy instrument that brings in outside consultants to oversee all, or part, of utility operations, management contract aim to generate improvement in utility financial or technical performance. They are usually simpler and of shorter duration than other form of PSP such as leases, concessions, and divestitures. However management contracts are not straight forward they commonly involve donors, governments, utilities, foreign consultants and domestic consumers who often have different expectation of what constitutes effective outcomes. They are utility focused instruments that can be influenced by wider sector conditions, such as overall sector reform. As a result management contracts are highly dependent on how governance and performance incentives are structured. They also generates important question about what happens after the agreed up on management outsourcing has ended.

Management contract involves full transfer of management-operational responsibilities to a third party any outsourcing efforts without full transfer of management responsibilities, according to classification consistent with the world bank PPI data base, are classified as a support consulting arrangement rather than management outsourcing(contract).As an arrangement under which strategic, functional as well as operational control of an enterprise is vested by contract in a separate enterprise that performs the necessary managerial functions in return for a fee, it involve not just selling a method of doing things (as with franchising or licensing) but involve actually doing them.

A large corporation operating throughout the world is likely to have a large amount of management talent at its disposal. Management contracts offer a means through which a corporation can use some of its personnel to assist a firm in a host country for a specified fee and period of time (Wheelen and David, 2011).Since management outsourcing acts as a framework and provides formation and structure to the company and its members, it is a frequent trend that these days most Governments of developing countries use management contracts for the progress

and development of the skill of the local managers and workers. They also accolade management contract companies to upgrade and operate public utilities. Number of African nations such as Rwanda (with electro gas in 2003) Kenya (Manitoba hydro international in 2006), Ghana (Takoradi power in 1997), Malawi (Eskom in 2001), Tanzania (net group solution) have been engaged in electricity service specific management outsourcing which comprise the generation, transmission and distribution segment of the industry. (Ghanadan and Eberhard, 2007:3-4).
Ethiopian electric utility (EEU), previously known as the Ethiopian electric power corporation (EEPCO) is an integrated utility services provider in Ethiopia, availing transmission, distribution and sales of electricity. The company is owned by the Ethiopian government and maintains a monopoly over all electric utility service along with Ethiopian electric power/EEP which handles the generation and construction aspect electric power at national level. The initiative for management outsourcing traced back to companywide structural reform as part of incorporating business process management (BPM) concept and globally renowned American productivity and quality center process classification frame work/APQC's PCF. Following its establishment on December 27, 2013, as an independent public enterprise EEU was managed, on a management contract arrangement as of May 2013, by power grid corporation of India Ltd. Ministry of water and Energy of F.D.R.E entered in to this management outsourcing as the former EEPCO was not able to meet the required level of service dictated by world class utilities.

While reforming the former EEPCO in to two different firms which are EEU and EEP ,this critical phase was handled through a separate office entitled as Transformation Program Office/TPO guiding the application of a structured process and set of tools for leading the people side of change to achieve a desired outcome. After the program succeeds regarding the overall change management process conducted to transform EEPCO in to a world class enterprise renovated as a new utility service provider, the next important phase was to decide whether to run the implementation of new organizational set up, which by the way was based up on entirely new concept of APQC's process classification framework, with local management or to fully outsource corporate management. Following the fore mentioned argument leader, management members, team of experts and foreign consultants from TPO office discuss, review local as well as international best practices and reach consensus with the steering committee to outsourced EEU's management to Indian operator called Power Grid Corporation India (PGCI) for two years of contractual deal.

As a contemporary issue it is very appealing and worth to know, whether this brand of decisions to grant the overall management of gigantic corporations like that of the Ethiopian electric utility to international firms does in actuality yields the aspired strategic objectives or it is simply a waste of scarce financial supply which could have been greatly saved had those firms were dealt internally with the already maintained practice of existing local management.

1.2. Statement of the problem

Outsourcing Company's management to an elite firm with exceptional specialty and expertise allow firms to run a globally fit business that goes in proper synchronicity with the modern-day demands of world class values. Many best practices have shown the indispensable nature of this contract mainly subsequent to organizational amendments with new system, process and structural makeover. Though not always appropriately executed, its implication reaches massive terrain of impact rising from single functional boundary up to the whole intangible presence of a company which is expressed through corporate culture along with organizational stature as portrayed by the entire public.

The main restriction for effective implementation of management outsourcing, especially in the third world companies, is the lack of knowledgeable entity to scrutinize contractor's action and foresee any discrepancies that would happen in the last phases of the deal where options might be dying to counterbalance or resurrect what have already been deficiently done. Contractor's attitude and hidden intention is the other obstruction hampering meaningful realization of most agreements. Many incidences have revealed when they came, win a contract, entertain payment and all of a sudden got fired for poor performance, as if this was the sole policy of every single one of foreign management contractors targeting granters of the developing world. According to a document released by the Pan African News Agency in 2004, countries like Chad and Mali had unsuccessful history of such a contract for the above mentioned conflict of interest.

Other way round in those contractual deals where success might be achieved still there is severely interwoven difficulty of overdependence resulting in extension of management and technical deals due to ineffective knowledge transfer and succession program.

Though management contract has undeniable significance towards organizational change and development, process standardization, globally competent system adoption, world class structural (functional) alignment, knowledge transfer and personnel development, scholars like(Michael Gwenola,2008)who wrote on the impact of management contract in developing countries, also argue about its it limited tendency to bring tangible solution concerning the real problem especially in government controlled public utility sectors which are less commercial or profit oriented in general. Beside this it is also difficult to picture its strategic impact regarding concentration, growth or market positioning in a monopolistic commercial scenario where by no other alternative utility provider exists as stiff competitor sharing the market. (Ghanadan and Eberhard, 2007)

put in to consideration the complexity of the electricity industry, unlike other service sectors there are a lot of highly technical, engineering and infrastructural issues that might not be in direct correlation with top management performance while measuring business achievement or strategic success for that matter; however there are obvious improvements that this outsourcing deal has brought, in this case the study aspires to asses any of those affirmative or unconstructive resultants starting from the very external impact as witnessed by company image up to lower level employees morale as component of the internal work environment.

This paper provides a preliminary assessment of the impact of the already completed management outsourcing on the overall company performance as dictated by EEU'S governing strategic themes.

These strategic principles involves six critical pillars; electricity expansion, financial self-sustainability, capacity development, customer centricity, process excellence and IT enablement as well as sustainable growth, covering important aspects of organizational functioning which provide the company with a clear direction and purpose by stating quantified performance targets and establish plain road map to take the business moving forward.

There are some writings that would definitely lead to come up with an idea to examine if such management contracts are certainly associated with objective measures of company performance, which most of the time was subjectively/inadequately investigated if not left as an experimental issue in those literatures only related to specific functional areas such as IT, HR, finance, legal, customer service and so on.

There have been relatively few independent reviews zeroed in on electricity sector management contract experiences in Africa (e.g. Davies 2004; Castalia 2005). Yet attention to the origins, implementation and outcomes of existing practices provide an opportunity to gain valuable lessons about possibilities and limitations of current approaches.

In Ethiopian context there are less research works assessing management outsourcing practice in service delivery sectors and none of them were in electric utility sector since the outsourcing was quite a recent phenomenon being completed in 2016 after two years of contractual duration. It is worthy to develop a comprehensive assessment circumstances which measures importance of such practices along with challenging issues and recommended improvements that would be used by other similar firms aspiring to engage in management outsourcing as a reliable best practice.

1.3. Basic research questions

The subsequent research questions were appraised in this research paper

- What strategic contributions the management contract had brought in establishing EEU as a world class utility Company?
- What significant renovations have been realized inside the organization?
- To what extent did the outsourcing succeed at EEU?
- To what level service delivery has been improved?
- What were the prospective implications of this outsourcing experience?

1.4. Objective of the study

The purpose of this study is to assess the high-level effect of management outsourcing of EEU in company’s strategic performance.

1.4.1. General objective

To examine effect of the management contract up on customer centricity, process Excellency & IT enablement, capacity development and corporate growth; which are the main premises of the company's maneuvering strategic plan.

1.4.2. Specific objective

The specific objectives are;

- To investigate the strategic contribution of management contract to EEU's performance
- To evaluate change in company image as a result of contractual engagement
- To describe improvements in service delivery quality
- To determine if the management contract brings enhancement in employees competence.
- Evaluate the impact of management outsourcing to augment operational processes with modernized business information systems.
- Assess lessons learned from the overall contractual course.

1.5. Significance of the research

This study will depict in which area management outsourcing should be encouraged and in which industry it might appear less worthy depending on ranges attributes characterizing any particular sector. The end deliverables of this study will give basic findings for potential initiatives and outsourcing decisions for management contracting especially in utility and related services.

Most importantly, explaining the success rate of the contract in alignment with Ethiopian electric utility's strategic goal and describing whether the appellate for international management contract was really necessary in the first place is the main orientation of this paper. Beside this it is also in pursuit of clearly spot out those factors necessarily contributing to pass management out sourcing decision and circumstances under which such contractual deal is more valuable to proceed with.

The outcome of the study will show up those critical notions that call for serious emphasize by the time management contracting or management outsourcing decisions are made. It will provide supportive prospect while similar programs are being launched in the future with proper contemplation to the essential merits and demerits being anticipated in Ethiopian electric utility experience.

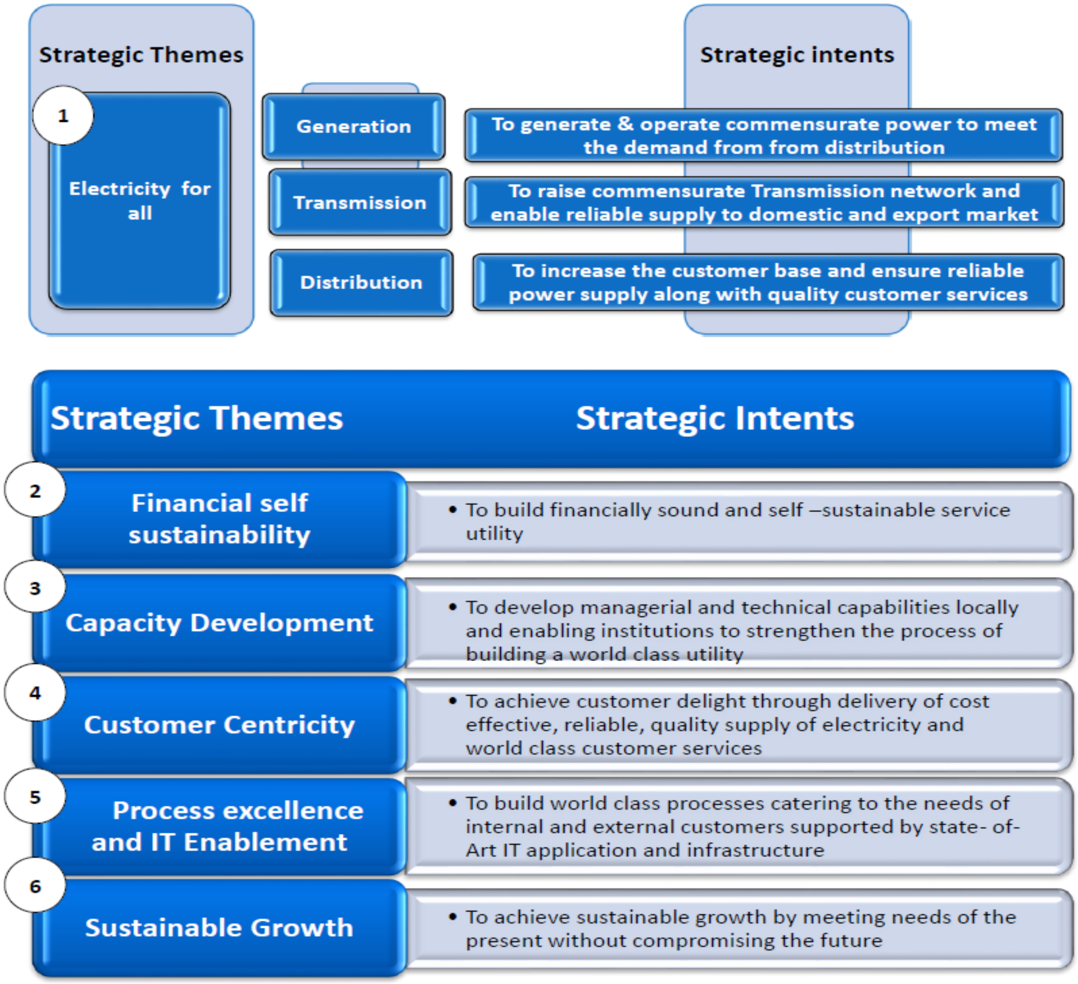
1.6. Scope of the study

The orientation of this study only revolves around the management contract practiced by Ethiopian electric utility and relies on information limited to the contractual time frame starting from May, 2013 since the foreign management came to power.

The research scope does not contemplate power transmission and operation of plants which are currently under utility authorization. For the reason that eventually completes generation and transmission responsibility will be under EEP. Going forward, EEU will be only mandated for distribution.

Even though there might be an effort to indirectly access regional and district level information, the focal point and span of this research is mainly centralized across the required entities of corporate head quarter.

Figure 1.1: EEU's Strategic themes and Strategic intents



Source: strategic plan -2013

Extracting the above stated six strategic vantages the research has established particular area of focus which excludes generation and transmission aspects from the first strategic them which was managed to be analyzed under customer centricity based on what has been declared by company's strategic plan to address Customer Orientation through twin strategic themes of providing new connections i.e. "distribution part of electricity for all" and improvement in customer service through " Customer Centricity". Besides series of performance attributes including financial dimensions were made to be amalgamated under sustainable corporate growth for ease of evaluation. This will enhance the intensity of emphasis by narrowing down the researched strategic aspects in to four; capacity development, customer centricity, sustainable corporate growth, and process excellence/IT enablement.

1.7. Limitations of the study

Regarding customer/public perception and attitude towards the company, alongside first-hand information obtained through interviews; annual performance review and departmental report documents (for the year 2013, 2014 and 2015) from retail business division were reviewed to have general picture on the trend of customer complaint, yet shortage of comparable previous records made it somewhat restricted to have reliable contrast among current figures. To have resolved this issue subsidiary survey had also been conducted as a bucking up device that enhances the analysis of service quality and branding effort, however the scope is exceedingly reserved to only few subjects picked on the basis of convenience since the topic is a vast matter in itself.

There could also be other performance indicators that are not subjected to management outsourcing. for instance since the phase of implementation overlap with management contract, the impact on organizational effectiveness which is exerted by what had been done at transformation program office; customization and instilment of globally renowned APQC frame work as a tool to deploy BPM, might be difficult to be measured idiosyncratically.

1.8. Organization of the Study

The research project is going to be organized as follows: Chapter one deals with the background, problems, purpose, significance, and methods of the study. While Chapter two contains some empirical background and review of literature, the research design and methodology part will be presented throughout chapter three. Analysis of the research findings will be presented in Chapter four. Chapter five presents the summary of the findings, conclusion and recommendations. Finally, sample survey questionnaire template that assists for the data collection will be attached to this document as an appendix

Chapter 1: Introduction

As the preamble to the remaining phase of the research, part I discusses the background of the study, the statement of the research problem, research questions and objectives, scope of the study and significance of the study.

Chapter 2: Literature review and Theoretical Framework

This portion of the paper will have three interdependent aspects. The opening section of the chapter offers a widespread all- inclusive literature review and brief about outsourcing in its broad-spectrum including the Ethiopian context which is followed by theoretical fundamental concepts that shouldn't be left unmentioned. The succeeding piece of the chapter will specifically discuss about management outsourcing and related concepts.

Chapter 3: Research Design and Methodology

This part of the study is mainly dedicated in discussing the research methodology being deployed in the study. The research methods, techniques and sampling procedures are also going to be inculcated.

Chapter 4: Data Analysis and findings

Here under this section the focuses will be on the analysis of both the qualitative & quantitative results of the research. Tables, graphs and narratives demonstrating the research results are included.

Chapter 5: Conclusions and Recommendations

This episode presents conclusions and recommendations taken from the research outcome.

Chapter Two
Review of related literature

2.1. Overview: outsourcing

The concept of outsourcing came from the American terminology “outside resourcing”, meaning to get resources from the outside. As (Adrian and Alexandru 2012: 52) elaborated the term was later used in the economic terminology to indicate the use of external sources to develop the business, which typically were using their internal resources.

In managerial terms, the outsourcing practices have varied a lot over the past two decades, spanning from the externalization of support activities to some core processes, from primarily service-based activities to productive processes, such as in the case of modular production (Brusoni and Prencipe, 2001; Prencipe, Davies and Hobday, 2003). Today, firms manage a portfolio of outsourced activities that may include relatively low-skill activities (e.g., call centers) as well as knowledge-intensive services (e.g., market research and analysis). The present scenario sees the flourishing of information technology (IT) outsourcing (Tettelbach, 2000), the increasingly widespread of finance and accounting outsourcing (FAO) and medical outsourcing, and the emergence of knowledge process outsourcing (KPO), a very promising niche within the broader concept of business process outsourcing.

while globalization is enabling multiple sourcing, global outsourcing, and off shoring, The generally auspicated strategic focalization around firms’ core businesses is not any more the sole explanation for outsourcing, Broadly speaking, outsourcing refers to the acquisition from outside the firm of inputs, services, or processes (Amiti& Wei, 2005;Boldea&Brandas, 2007). Other scholars view outsourcing as an element of the overall firm’s strategy, implying a decision by the firm not to make a service/product internally and instead purchase it externally (Quinn &Hilmer, 1994; De Fontenay and Gans, 2008), while others focus on global sourcing and define outsourcing as the integration and coordination of production and marketing on a consolidated basis (Kotabe, 1990; Murray, Kotabe and Wildt, 1995). Further, other scholars refer to outsourcing as the procurement of supplies or services related to a whatever value chain activity from legally independent firms (outsourcers). More specifically, outsourcing is defined as domestic, if firms source from suppliers from the same (home) country, whereas off shoring refers to the practice of outsourcing business functions in another country in order to reduce costs, typically where the costs of labor are lower.

Outsourcing is the process of Transferring customary internal activities and resources of the firm to outside vendor to earn extra capability to utilize the efficiency that comes with specialization. (Porter,2008:10-11).This similar book describes the main reasons driving companies to pass outsourcing decision including aspiration to obtain technical of managerial ability which by the way is the very core intention for any management contract. Alongside this are focus on core competency, access to patent protected resources, lowering of cost of acquisition, preserve supplier commitment and ensure alternative source, capacity enhancement and reciprocity.

2.1.1. Outsourcing process

Outsourcing is the process of establishing and managing a contractual relationship with an external supplier for the provision of capacity that has previously been provided in-house (Momme, 2001).In spite of an impressive research intensity of the outsourcing process, there are only few frameworks depicting the actual stages and the layout of the overall process of outsourcing.

A study on outsourcing process released in May 2007(Dallas, USA) has aligned the frameworks and grouped the stages into the following sequence: preparation, vendor selection, transition, managing relationship and reconsideration .Cyclic and holistic characteristic of the outsourcing process management is stemmed in the evolutionary economics (Nelson and Winter, 1982). The evolutionary economic theory is in the core of process theories. It has received significant application in exploring firm's learning characteristics for improving performance (Simonin, 1997), creating value (Anand and Khanna, 2000), and capabilities (Kale et al., 2002).

2.1.2. Types of Outsourcing

There are multitudes of outsourcing practices in the business market today. Research papers have been written on most of it. According to data from the outsourcer web site the outsourcing functions are broadly categorized under three main outsourcing types. These are technology service outsourcing, business process outsourcing (BPO) and knowledge process outsourcing (KPO).

Management contract, BOT (Build, Operate, and Transfer) and turnkey operations are newer trends of international outsourcing representing immense principal- agent relationships in mega business firms (Wheelen and Hunger, 2011:211-214).

The **BOT (Build, Operate, and Transfer)** concept is a variation of the turnkey operation. Instead of turning the facility (usually a power plant or toll road) over to the host country when completed, the company operates the facility for a fixed period of time during which it earns back its investment plus a profit.

Turnkey operations are typically contracts for the construction of operating facilities in exchange for a fee. The facilities are transferred to the host country or firm when they are complete.

2.1.3. Incentives of the concept

The rapid growth of outsourcing suggests that both public and private organizations expect benefits from outsourcing. Naturally different organizations in different circumstances will expect different benefits. For example, all organizations may expect costs savings even though in government outsourcing, the typical cost savings are only about half of what the private sector achieves (Kakabadse, 2000). It is impossible to exhaustively list every conceivable benefit but according to a study made by the Economist Intelligence Unit (EIU) many of the desired benefits are general enough that they are shared across organizations. Commonly shared expected benefits of outsourcing may include realizing the same or better service at a lower overall cost, increased flexibility and/or quality, access to the latest technology and best talent, and the ability to re-focus scarce resources onto core functions. For the political organization, additional expected benefits may include better accountability and management, and a better political posture. There also appears to be an expected benefit of mimicking competitors or "getting rid" of troublesome functions (Willcocks and Currie, 1997).

Referring to a publication on strategic sourcing for service (Clerons and Hitt, 2000:5-6) has stated: economy of scale, economy of scope and economy of specialization for being the main reasons why companies outsource. Besides financial considerations, there are some advantages of outsourcing, such as increased focus on core processes, access to resources not available internally and standardizing processes.

Professor Michael Porter says in one of his books, “Competitive Strategy”, that the effect of globalization can generate cost savings (or cost of energy production), and reducing distribution channels. “Part of this reduction may be caused by aggressive companies multinationals to spread their techniques throughout the world. Thus, Porter argues that, 'regardless of case, globalization leads to reducing impediments to global competition” (Porter, 1980: 86).

Although outsourcing can talk about now since a few decades, however, this phenomenon was only introduced in the field of strategic management in the 1980s, and this is due to Professor

The Outsourcing Institute (2013),a strong voice in the field of outsourcing, has built top 10 specific reasons that a company would have to resort to such services:

1. Cost reduction and operations control;
2. Improving company focus;
3. Gaining access to the various possibilities;
4. Free internal resources for other purposes;
5. Resources are not available within the company;
6. Accelerate the benefits reengineering;
7. Running the business is expensive for some time;
8. Employment equity becomes available;
9. Sharing risks;
10. Capital injection.

Moreover, outsourcing brings benefits at the macroeconomic level, directing capital flows to developing economies in the process. These capital flows materializing by building units of production and in creating jobs, helping to raise living standards and sustainability of these economies primarily by reducing unemployment rate and by increasing the gross domestic product.

2.1.4. Potential outsourcing risks

Because outsourcing is a rather recent tool of managers the complete costs are not yet known, which possess a risk in itself. The literature warns that there is an initial tendency to overstate benefits and that the suppliers are likely to perform better in the beginning of a contract to make good first impressions (Schwyn, 1999).

The lack of methodology is believed to cause some outsourcing failures (Bounfour, 1999; Lonsdale, 1999).This thinking is supported by Lonsdale who suggests that outsourcing failures are not due to an inherent problem with outsourcing but rather the lack of guiding methodology for managers (Lonsdale, 1999). Another difficulty encountered with outsourcing, particularly in the US (GAO, 1997), is the lack of skills within public organizations to manage and monitor outsourced functions. While not discussed in detail,(Earl, 1996) identifies 11 risks with outsourcing IT; many of them have applicability to the outsourcing of other functions as well.

The outsourcing connotations referenced in different literatures warns of the following potential risks: unrealized savings with a potential for increased costs, employee morale problems, overdependence on a supplier, lost corporate knowledge and future opportunities, and dissatisfied customers. (Tabor krimic, outsourcing decision support, p-470)

Loss of synergy, conflict of interest, security issue, false sense of irresponsibility, loss of knowledge, skill and/or corporate memory, loss of core competency and power shift to supplier are other probable risks frequently mentioned by different authors. (Klopack, 2000, Avery, 2000, Roberts, 2001, Lafferty and Roan, 2000)

Jim Tompkins from Tompkins international categorizes outsourcing risks in four major categories. These are Strategy Risks, Selection risks, Implementation risks and management risks.

2.1.5. Strategic outsourcing

Actually, outsourcing equates with more than just improved operational effectiveness. In fact, it is not limited to peripheral tasks, such as catering or gardening, but involves a growing number of the firm’s activities and functions, notably those that substantially contribute to its added value. This notion of strategic outsourcing was introduced by Quinn and Hilmer (1994), as per their explanation to be considered as a strategic choice, outsourcing must be a distinctive feature of specific firms in an industry However, Alexander and Young (1996b) also challenge the conventional wisdom that core activities should be kept in house and evoke several distinctions between the different types of core activities. Activities critical to performance should be distinguished from activities that create a competitive advantage. The first type concerns activities, such as IT, logistics or facilities management, that support the core businesses, without necessarily being a distinctive feature of a specific firm in its market. The second type refers to activities that create a current or potential competitive advantage for the firm. Strategic outsourcing concerns both of these types of activities that contribute substantially to the firm's added value. In accordance with (Alexander and Young, 1996) By identifying the business functions to outsource, companies can benefit from an increased specialization in the areas on which they choose to focus, through increased learning, shared experience, professional career path incentives or other ways that enhance value (Brownet al, 2002:65) illustrate the advantages of this type of specialization, through the description of business networks co-ordinate by companies such as Li &Fung and Cisco.

Scores of literatures written on outsourcing focus on the direct benefits of outsourcing for the implementing companies rather than the strategic potential benefits it might bring. Many authors have also suggested that activities that represent core competences cannot be outsourced and that non-core activities are candidates for outsourcing (e.g., Quinn and Hilmer, 1994). One might find this to be initially plausible for almost every business scenarios but, upon reflections of Eric K.clemons and Lorin M.hillto conclude as such would be dangerously misleading, especially in strategic sourcing for services

The fore mentioned assumption outplays the binding concept of management contracting which unlike IT or financial outsourcing comprises the whole organizational administration which is very much strategic and core as well.

2.1.6. The Scope of Activities Outsourced

In contrary to the previous presumptions about limiting outsourcing only to operational and none core aspect of the business a new millennium trends are pushing towards Outsourcing operations which are becoming increasingly complex (Ernst and Young, 2002), involving growing number of business functions. Companies tend to outsource more mission-critical, complex operations that contribute to their growth.

As companies outsource more strategically though, and as outsourcing increasingly becomes a strategic tool which addresses issues of corporate change in dynamic environments (Elfring and Baven, 1994; Cross, 1995; Baden-Fuller *et al.*, 2000), a wider mix of objectives is sought. The quest for cost savings may no longer be the optimal choice. Actually, the main challenge when outsourcing is how to manage short term cost savings while keeping in mind long-term perspectives for competencies and reputable suppliers, both of which are linked intimately to quality of service.

Currently there is noticeable tendency by most manufacturing and service related companies to outsource complex activities such as information technology, logistics and telecommunication that have always been considered by most industrial companies to be part of their core functions. At the beginning it was services such as cleaning, cuisine and security which was outsourced but over time it has expanded to include business critical areas such as design, manufacture, marketing, distribution and information system with almost entire value chain open to the use of outside supply (Jennings, 1997)

A lot of studies have been conducted on outsourcing of non core activities of a firm. Outsourced services such as information technology provision, distribution and human resource (Gilley et al, 2004; Ngwengama and Bryson, 1999; Tiwana, 2008). Conversely, outsourcings of core activities or strategic activities have been given little attention in the literature with few exceptions like (Aksin et al., 2008, Ren and Zhou, 2008 and Bharadwaj and Roggeveen, 2008).

As indicated by European management journal (Quelin and Duhamel, 2003:647-61) a survey study conducted on 180 European corporations clearly depicts the potential state of outsourcing business in a matrix with four distinct quadrants.

A first group of business functions are already outsourced in many companies and will tend to be further outsourced in the near future: IT, logistics, payroll processes and telecommunications. The larger contracts have been signed in these areas. They are support functions for the core businesses, and great possibilities exist for sharing costs and economies of scale, not to mention a base of competencies which have developed over the years

A second group of business functions which are still not very widely outsourced, but which increasingly may be done in the next two years: facilities management, accountancy, and industrial maintenance. In these areas, the possibilities for sharing also exist, although they may not be as numerous as in the first group of activities.

A third group of business functions includes activities which are already outsourced quite extensively, but will not be further outsourced in the future: waste management, energy and fluids. Recently, several suppliers have developed services in these areas. Service providers find it difficult to show they can obtain more economies of scale than their clients.

A fourth group of functions, seldom outsourced, and for which the outsourcing potential remains weak are: marketing, finance, after-sales services, finance, recruitment, R&D, production, and industrial data processing. These business functions which most companies are still reluctant to outsource are clearly the more strategic activities that constitute sources of core competencies and/or competitive advantages

2.2. Outsourcing in the context of Ethiopia

According to (Beaumont and Sohal, 2004) outsourcing is a fashionable way of solving some business problems and there are numerous reports of its increasing use. In spite of its popularity in most parts of the world, the experience of outsourcing in Ethiopia is minimal. Furthermore, not much research has been done in this area to assess the impacts, challenges and prospects of outsourcing in the country.

Despite the reasonable level of awareness of top level mangers about the concept of outsourcing, the use of outsourcing in Ethiopia has been low and highly dominated by non-core business functions

Referring to a paper prepared by (Meresea, 2007:63-70) the most outsourced business activities are maintenance and janitorial services. Next to them, security service and information technology take the second position. Besides this using outsourcing alternative for logistics and transportation purpose is also practiced in many organizations.

Looking at the outsourcing sphere sector-wise, nongovernmental organizations and private companies has further outsourcing experience in one or more business functions. Next to NGOs and PLCs, banks and insurance companies assume the second position. Relatively speaking government organization, both for profit and for nonprofit, have low outsourcing experience comparing to the above four categories.

On the other hand when it comes to significant outsourcing issues such as the management contract the figure will surely be reversed. Here it is worthy to mention Ethio-Telecom’s approach with French company in the last couple years. In Ethio-Telecom in addition to the above activities the sales of mobile SIM card and air time charging is also outsourced to third party service providers. In similar fashion Ethiopian electric utility is another mentionable firm undertaking management contract. Yet better, years have been elapsed since the company started to deploy another party kifiya financial technology plc. to settle all the bills data delivered and sales payment collection tasks. Some Large business companies like that of the Ethiopian airlines are also seasoned at granting their recruitment process to external firms. With the aspect of transportation number of beer companies and the two dominating soft drink producers uses a bunch of outsourced distribution agents to support their marketing channels.

Various researches also revealed that there is both unwillingness and limited affinity to outsource accounting service and administration function for fear of loss of confidentiality, control and distinctive competency respectively. These similar reasons along with speculating client's loyalty are the main restraining factor keeping human resource, marketing and sales outsourcing experience at their infancy.

2.3. About management contract

Nowadays, issues such as increasing competitive pressures, technological complexity and specializing of tasks, high level of costs make organizations to review their management frameworks and turn to new strategies to achieve a competitive advantage in the current business world. One of these strategies is to focus on the main competences and consign most activities to external sources of organization.

Unlike most types of outsourcing deals management contract is somehow complex and difficult to analyze and measure based on the commonly agreed up on perspectives of outsourcing in general. As per the common consensus built on the foundation of many scholastic view points in the process of consigning duties and accomplishing determined duties by an enterprise to other that usually accomplishes by a third provider the very nature of these duties usually are non-strategic and subordinate though they can have dangerous effects on the enterprise business (Williamson, 1967).

However management outsourcing is way different from array of support functions discretely delegated to other party, here there is intricate situation to easily segregate and maintain strategic and core issues out of the binding contract.

This is the main factor to come across rare source of literatures exceptionally discussing about and few companies, mostly in real estate, hotel property management and entertainment industries(celebrity marketing) to practically implement it.

Management contract differ from support management consultancy arrangement where services are offered to companies without assuming formal management positions. Such arrangements are becoming increasingly common as governments and owners are wary of handing full management over to foreign consultants. However these are not formally management contract and are not included in the World Bank's data base of private sector participation in infrastructure (PPI).

(Michael Gwenola,2008:5), in his technical synthesis with reference to management contracts in developing countries, has described Management contract as one of the three main kinds of public-private partnerships among concession and lease contract. These are usually distinguished with different levels of private sector Involvement (investment financing and / or operation of the service).

Concession

In the 1980's and early 1990, concessions were the main forms of private sector participation in the field of utility service. During the contract period, the operator can use all the assets of service granted to them. The operator is responsible for investment in the sector, including extension of networks and financing of new infrastructure (within the limits set by the government). The concession contracts may also impose on the private operator targets such as a level of investment during an initial period of 5 years (such as in Buenos Aires in Argentina), or to connect a number of households that are not yet supplied (for example la Paz in Bolivia). Typically, the concession contracts are signed for a period of 20 to 30 years, but can go up to 95 years.

The concessionaire is also responsible for service operation and derives its profits from the sector's revenues. This type of contract may therefore encourage the operator to extend the service, provided that the additional revenue should be at least equal to the cost of serving new consumers. This creates an incentive to develop services at low cost, affordable for the poor.

Lease contract

Under the lease contract, authorities delegated management of the public service to a private operator. The private company is responsible for the operation of the service while the ownership of facilities go back to the National Company operating on behalf of the government. The public entity, owner of the assets, is responsible for new investments, major repairs, debt service, tariffs and the cost recovery policy.

The private operator is responsible for operating and maintaining the service, billing and investment needed for the upkeep and renewal of certain existing assets (electromechanical and may also be responsible for the renewal of part of networks). The operator advises the public sector for Investments and extensions to achieve. This type of contract is generally concluded for a period of 10to 15 years.

In a lease contract, the payment of the operator is based on the volume of water sold (transfer of commercial risk), and not directly related to the cost of water. So there is no disincentive to serve consumers who are paying low tariffs. This system may instead encourage the operator to increase the number of connections (except in a situation of shortage of water, where all available water will be sold to existing consumers).

However, in this type of contract, financing new investments remains the responsibility of the public sector; the operator may fear that the government did not have the sufficient financial resources to invest in extending

Under the management contract, public authorities transfer the responsibility for operating and maintaining the service to a private operator for a period of three to five years. A team of managers, seconded by private enterprise, is placed in leadership position in the public entity to support in managing the service. In this type of contract, the contractor has no legal relationship with the consumer. In addition, the operator has no investments to pay; this remains the responsibility of public authorities.

This type of contract can improve the effectiveness of the service management. The operator transfers to the public sector know-how and operational methods to better manage infrastructure and existing resources (secure supply, water supply, environmental protection, and so on.), and to enable it to Optimize the ratio quality / cost (cost reduction, quality, which means the user benefit).

In its simplest form, the management contract only provides for a fixed remuneration for the delegated missions. However this form of remuneration is disconnected from performance targets in the sector and therefore has no incentive to the operator. Indeed, when the commercial risk is not transferred, it is not an incentive to reduce costs and improve service quality. Therefore, a portion of the remuneration of the operator may be linked to performance criteria (improving recovery rates, reducing the volume unaccounted-for-water), previously stipulated in the contract.

However, defining clear and realistic performance targets is often difficult, especially when the information on the state of the network is limited. Indeed, some goals are not dependent only on the private operator's performance. For example, the volume of unaccounted- for-water is a good indicator of the service performance, but it depends both on the ability of the operator to reduce leaks and public authorities to make the investments for renewal.

This problem also arises for lease contracts. This form of contract is mainly used in situations where the objective is to rapidly increase the technical capacity of service and establish more efficient management. It can also be a first step for greater involvement of the private sector in the service.

2.3.1. Scope of a management contract

A management contract is a legal agreement that grants operational control of a business initiative to a separate group. The managerial group executes the necessary tasks in exchange for a negotiated fee. Management contracts can involve the accomplishment of business tasks as well as the outsourcing of such tasks to subcontractors. These tasks can include technical support, personnel management, marketing, sales training and accounting

The scope of any particular Management Contract covers the management and control of the delegated firm whereby the contractor shall perform the Services by providing a team of experienced managers as detailed in the Agreed Technical and Commercial Proposal signed. In most cases an Internal audit is administratively placed under the authority of the board of the grantor (host company), according to the governing organization chart.

Looking at the frame of the management contract, in nearly all cases the Grantor agrees to procure the Services and the contractor agrees to provide the Services in order to manage and administer the "new world-class Company" with efficient and competent managerial skills and capabilities that will Ultimately bring about knowledge transfer in order for local professionals able to take over management of company's management upon the expiry of the initial period, as set forth in the agreement Clause.

During the Management Contract period the Contractor shall carry out the Services in the time schedule provided in the approved Transition Phase's action plan and the detailed action plan to be agreed between the parties during the Transitional Phase, and revised, if necessary, upon mutual agreement of the parties during the initial Period of the Management Contract.
The Contractor, within the scope of the Services, will be in charge of the business, technological and human resource issues that need improvement, implementation, management under the Management Contract, those including the elements specifically mentioned in the consortium, as well as any other document mutually agreed between the Parties.
Considering the business case of Ethiopian electric utility, The Contractor has "a contract arrangement made between the Ministry of Water and Energy of FDRE and "POWERGRID as the Leader of the Consortium" under which operational control of Ethiopian electric power service corporation which was after a while was renamed as Ethiopian electric utility is vested by contract in "POWERGRID as the Leader of the Consortium" which shall perform the necessary managerial functions in return for a fee which involves selling a method of doing things, and in due course building the capacity of the former staff."
The contract is to involve a wide range of functions, such as technical operation and maintenance of electric generation, transmission & distribution system and electric service facility, management of personnel, finance and accounting, marketing services, knowledge transfer, capacity building and tailored training.
In its endeavors to create and manage "Ethiopian electric utility" as a world class alias for the former operator the Ethiopian electric power corporation, the necessary technical skills are to come from the contractor staff. To enable a smooth transition to local control and operation, a number of steps were to be employed, planned and executed as outlined in the contract and further detailed and approved by the board of directors subsequently.

2.3.2. Motivations /drivers for outsourcing

Generally speaking there are three major categories of motivations for outsourcing: cost drivers, strategy drivers, and political drivers. The first two commonly drive outsourcing by private industry. Political agendas often drive outsourcing by public organizations (Kakabadse, 2000a).While there may be three categories, outsourcing activities are likely to be initiated for more than one reason and in fact, may be driven by elements from all three categories. For example, the outsourcing of taxing and health services for the British government was driven by elements from both the cost and political categories (Willcocks and Currie, 1997).

Cost driven outsourcing

Much of the literature identifies the desire to save costs as an explanation for why outsourcing occurs (Fan, 2000; Kriss, 1996; Laarhovenet al., 2000; Vining, 2002).One may wonder how an organization can achieve enough savings to cover an additional layer of overhead and still meet profit requirements yet perform a function for less than another organization already doing the function. Specialization and economies of scale are mechanisms used to achieve this level of efficiency (Klainguti, 2000; Ashe, 1996; Kakabadse, 2000a; Quinn et al., 1990a, ; Roberts, 2001).

A desire to save indirect costs may also drive outsourcing. Having fewer employees requires less infrastructure and support systems (Fontes, 2000; Hubbard, 1993).Some organizations outsource to achieve better cost control (Alexander and Young, 1996; Sheehan, 1993) while others try to shift fixed costs into variable costs (Anderson, 1997; Chemical Week, 2000).

Strategy-driven outsourcing

More recently the main drivers for outsourcing appear to be shifting from cost to strategic issues such as core competence and flexibility (Kathawala, 2000;Quinn, 1999; Roberts, . 2001; Wright, 2001).In general, the literature supports outsourcing as a strategy, which may offer improved business performance on numerous dimensions (Brandeset al., 1997; Dekkers, 2000;Klopack, 2000; McIvor, 2000).Perhaps the most often cited strategic reason for outsourcing is to allow the organization to better focus on its core competencies

In addition to refocusing resources onto core competencies, other strategy issues which encourage the consideration of outsourcing are restructuring, rapid organizational growth, changing technology and the need for greater flexibility to manage demand swings (Iyer and Kusnierz, 1996; Kakabadse, 2000a; Lankford and Parsa, 1999; Large, 1999; Pinnington and Woolcock, 1995).

Politically-driven outsourcing

There are several reasons why a public organization may behave differently than a private firm and therefore may have different outsourcing motivators. For example, (Avery, 2000) argues that the performance of a service by the public laboratory is not based on market demand or profitability. The issues may be more social than economic. Even when the services appear to be identical, the products may be very different. Industry performs a service to make money whereas the public organization attempts to ensure general well being different goal and mission. So while cost and strategy may drive private firms, the desire for the general well being of citizens may drive outsourcing by public organizations

2.3.3. Management contract outcome

In most management outsourcing deals the following are prior expectations assigned as contractor's obligatory task. (EEU'S signed management contract, 2003:7-9)

- ✓ Developing the functional and operational structure most effective strategies that enable to bring quality of service, major key performance against established benchmarks and resolve issues where they arise.

- ✓ Make use its best practices and methods for the performance of the Services provided under the Management Contract
- ✓ During the completion period, is duly bound to transfer any know-how directly related to the Services provided (to the exclusion of protected rights such as patents, marks, etc) to the new and capacitated potential managers.

- ✓ Train and build the management capacity at different levels so as to eventually enable them to own, manage and run the company

- ✓ Establish automated and customized financial accounting systems with real time visibility and latest decision support features for the executive management

- ✓ Build and run management, operational and business competencies and efficiency across the whole company by using the appropriate IT solution for operational customer service and business managements,

- ✓ Initiate and implement work ethics effectively and efficiently with changes in the organizational, behavioral and business processes

- ✓ Integrate State of-the art infrastructure with sound organizational design that would easily fit in new and improved corporate business process

- ✓ Enhance corporate wide market orientation and customer focus

Beside these other documents in related utility firms in Africa briefly describes the overall significance of such outsourcing types for instance (Ghanadan&Eberhard, 2007) referring to the stud they have made on management contracts in the electricity sector have stated how wide ranging and demanding goals of such agreements might be.

Taking the experience of Tanzanian electric supply company limited as a case in point contractor and Consultants were expected to continue to improve the technical, financial and commercial performance aspects, improve customer relation, and actively participate in organizational resurrection and ring fencing of business units. They were also responsible to increase investment by mobilizing internal and external fund to improve network reliability, electrification rate and electricity trade in the region since increasing level of commercialization were intended to be the driving force of improving utility fiancé , investment and services.

2.3.4. Success of management contract: critical factors

While the objectives of most management outsourcing were extensive and ambitious only limited elements were proven to be operationalized. Despite expansive overall goals and objectives for the contract, only a smaller set of terms were actually translated in to performance incentives (Electricity management contract study, 2007:11)

In other companies where "successful" conclusion had already been announced to the public, yet there might not be any tangible performance improvement other than artificial configuration of unrealized data for report sake. In most completed outsourcing deals revenue related financial performance is one of those critical key performance indicators however contractors might achieve and off course discovered doing so, cost reduction simply by tying up bonus to approval of quarterly reports or via prolonged procurement procedures for instance.(Davis, 2004:16)

There is also the threat of inertia with common norm of re-oscillating back to the previous organizational culture and performance once after the contractor transferred the administrative responsibility for the new management taking the renovated company as a successor.

Although organizations may outsource for cost related reasons, there are no guarantees that expected savings will be realized. There is increasing evidence that cost savings have been overestimated and costs are sometimes higher after outsourcing (Bryce and Useem, 1998; Cole-Gomolski, 1998; Pepper, 1996; Vining and Globerman, 1999; Welch and Nayak, 1992).

In his paper on management contract in developing countries, Michael Gwenola has implied some important issues regarding a number of countries where the management contract was put in place. He tries to unveil how this form of contract came up to the expectations of public and private players and what were their performances. He also explains what the possible developments of this type of contracts are and conditions for success of such an outsourcing agreement.

Given the poor management performance of company's authorities, with the donor support, will eventually initiate reform to gradually involve management outsourcing. However in most African countries it was very difficult to realize the intended vision. countries like Chad had attempted to enter management contract, In 2000, Vivendi (Véolia), the sole bidder for the contract, signed a contract for the original delegation water and electricity services for a period of 30 years with the Chad government though it only took four years to have witnessed the dilapidated infrastructure (due to lack of investment) led to the increasing deterioration of the service quality and problems with water supply. Faced with these difficulties and the public increasingly negative about the involvement of the private sector in public services, the group denounced the contract and withdrew. This action was immediately followed with rationalization of the company (according to the Pan African News Agency, 2004).

The best practices revealed in surveys of successful outsourcing clients demonstrate that judicious planning, disciplined vendor selection, and a commitment to collaborative relationship management are key success factors in outsourcing. (Freedman, 2010:9) has stated Considering the Intangible Benefits, Managing the Relationship and Applying a Structured Transition are of greater impact to successful management contract together with Setting Clear Goals, Knowing once Strengths and Weaknesses and Evangelizing the Change.

In related literatures the implementation of an investment program, Promoting competition between operators, and eloquence of the binding agreement are among the decisive features enumerated as determining factors for successful management contract. (Gwenola, 2008)

Consider the Intangible Benefits

Many analysts now advise client companies to look beyond cost savings to some of the subsidiary benefits of outsourcing. In its 2009 predictions paper for the outsourcing market, Gartner noted that "inflexibility caused by an excessive cost reduction focus results in business disruption in 30% of outsourcing deals."

Outsourcing, through the use of structured contracts with clear metrics and performance incentives, can help surface the real cost of service and support costs that are often hidden in shadow support and under-the-desk servers and applications. A recent paper from the Outsourcing Center ("Outsourcing Decision Perspectives: Service Provider Selection Criteria," © Outsourcing Center, 2010)puts selection of a partner in a unique perspective look at more intangible attributes that the paper terms passion and balance.

In the realm of passion, some of the factors that the Outsourcing Center advises that clients seek to discover, through references and interviews, are whether the potential partner

- ✓ Has a passion for excellence, rather than just satisfaction
- ✓ Has a strong commitment to the relationship's success
- ✓ Takes ownership of the work
- ✓ Brings brainstorming and creativity to the table
- ✓ Goes above and beyond contractual expectations

The Outsourcing Center's paper defines balance to include a number of attributes including

- ✓ Seeking a level of give and take
- ✓ Seeking a happy medium in disputes or challenges
- ✓ Facilitating compromise
- ✓ Implementing joint ownership of issues and a win-win approach to solutions

Manage the Relationship

Outsourcing relationship management can require an entirely new set of skills from managers. Managers who are accustomed to managing resources under their direct control may need to develop their influencing and facilitation skills. They also need to consider strategies for integrating outsourced staff into their existing teams, ensuring that resentments and conflicts are addressed and resolved, and maintaining team spirit.

New, non-SLA-based metrics are gaining traction in monitoring the performance of external providers. As the levels of discontent and dissatisfaction mentioned earlier indicate, compliance with SLAs is not a guarantee of cost reduction or enhanced service. In her book The Contract Scorecard, Sara Cullen, an outsourcing consultant, recommends a variant of the popular Balanced Scorecard approach, modified for outsourced engagements. Ms. Cullen's scorecard includes Quality, Financial, Relationship, and Strategic quadrants

By including KPIs for performance in the Relationship, Strategic, and Quality areas, Cullen's scorecard enables outsourcing clients to put their expectations on the table and, rather than simply hope for qualitative benefits like innovation and process improvement, turn those expectations into critical success factors that can be measured and incentivized.

Apply a Structured Transition

In a 2009 paper entitled "Best Practices for Risk Mitigation in Outsourcing Transitions," (©Outsourcing Center, 2009) the Outsourcing Center surveyed 56 the recipients of its 2009 Outsourcing Excellence Awards. All agreed that "their transition phase was the point that either threatened to derail their relationship or that allowed for long-term success." They also agreed that it was a key indicator of the direction of the relationship "because of how the parties worked through the challenges together either up-front in the planning stages or as the challenges occurred."

The Outsourcing Center paper went on to offer many best practices for outsourcing transitions, which include the following:

- ✓ The use of a well-defined transition methodology
- ✓ The development of a series of milestones and success criteria, or phase gates, that determine whether the transition team can move forward
- ✓ The establishment of a backup plan from the beginning

The implementation of an investment program

In many developing countries, the responsibility of investment is left to the authorities. The private operator involved in a leasing contract is in charge of maintenance networks (and sometimes a portion of renewals), but it is not responsible for the achievement of new investments or extensions.

In the Management contract, the operator is detached from any responsibility for investment (extensions, renewal, and so on.), But it is generally associated with the investment program definition. To cope with the disengagement of the private sector in financing investments, public authorities must mobilize new financial resources.

Thus, the involvement of the donors in the financing of investments is a key to success for management contracts and improving the performance of the service. In Malindi in Kenya, donors have funded most of the investments and extension networks necessary for the improvement of service (Ballance, 2005).

Conversely, in Ghana, the involvement of the private sector through management contract does not have the same results. In 2005, the water company, Ghana Water Company (GWCL), supplying half the population, but facing financial difficulties, it was not able to carry out the repairs, renewals and extension of networks needed to operate the service. Faced with the lack of investment in the sector, the inefficiency and the inadequate pricing, the country adopted a new law for the water service in order to increase the role of private operators in the management of the service (through management contracts) . In 2006, GWCL signed a management contract for five years with the company AquaVitens Rand (AVRL). Two years after the implementation of the contract, many customers still had no water. AVRL explains this situation with the lack of investments (Dovi, 2007) (UNDP, 2006).

Hence, the success of management contracts depends on the ability of public authorities to mobilize external funding (concessional loans, subsidies) and its involvement in the implementation of the investment program.

It is also noted that management outsourcing may fail because of inadequate requirements definition, a poor contract, lack of guidance in planning or managing an outsourcing initiative, or because of poor supplier relations. The degree of uncertainty, potential for conflict of interest/principal agent problem (PAP), legal factors, organizational behavior and preference the managers are additional factors restricting such a contractual decisions.

2.4. Theoretical substance for outsourcing

The outsourcing process is a complex structure consisting of numerous activities and sub activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage the process. It is a common knowledge that each phenomenon can be described by several frameworks that are embedded in various theoretical approaches.(Pederson,2007).

Various authors identified significant number of theories that could explain the outsourcing phenomenon (Gotttschalk and Saether, 2005; McIvor, 2005).Resource dependency view, transaction cost approach and theory of completion being the three main dimensions.

2.4.1. Transaction Cost Economics

Transaction cost economics (TCE) has been the most utilized theory of outsourcing. TCE is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. The governance features of the theory influenced that it has been applied in studying the Managing relationship phase, whilst the concept of switching costs made the theory applicable in the reconsideration phase. Another useful issue for outsourcing provided by TCE is explanation of contractual complexity under its sub theory, concept of incomplete contracting.

Even though it has been exercised extensively in outsourcing applications, the TCE has several indulgencies. (Lacity and Willcocks, 1995) found that the original mapping to the TCE framework only explained few sourcing decisions. Another critique could be that TCE relies on a single transaction as a unit of analysis, neglecting the contemporary industrial collaborative arrangements. Finally, TCE is static, which doesn’t correspond to dynamism of current business environment.

2.4.2. Relational View

Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (McIvor, 2005). Its key premise – the concept of relational rents has been explored to explain how firms choose their future outsourcing partners and preferred type of the relationship. It has been also utilized in studying the Transition, Managing relationship and Reconsideration phases.

2.4.3. Concept of Core Competences

The concept of core competences has been developed on the basis of the resource-based theory. (Prahalad and Hamel, 1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The application of concept of core competences in outsourcing became very popular among researchers. The concept has been predominantly used to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also applicable in the Managing relationship and Reconsideration phases. Vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney et al., 2005).

2.4.4. Resource-based View

The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Barney and Hesterly, 1996). If resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. Therefore the most prominent use of the theory is in the Preparation and vendor selection phase of the outsourcing process.

2.4.5. PAT (Agency Theory)

The focus of the agency theory originally was on the relationship between managers and stakeholders (Jensen and Meckling, 1976), but had spread over the time on explaining the relationship between two inter-firm subjects. In that context we associate the agency theory to understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection (Arrow, 1985) are should be resolved by monitoring and bonding (Barney and Hesterly, 1996). Consequently, the application of the theory in the outsourcing process research was in the Preparation Phase (when screening for vendors and defining its own attitude towards the type of the relationship. Naturally, the Managing relationship phase has been also explored, and to a very small extent the Reconsideration phase.

2.4.6. Knowledge-based View

The knowledge-based view provides insight in understanding how individuals co-operate to produce goods and services. The knowledge-based view distinguishes two ways how knowledge is shared among partners. They are knowledge generation and knowledge application. The knowledge-based view has been used in utilized in the outsourcing research to prove that knowledge sharing in the Managing relationship phase is positively related to the success of an outsourcing arrangement.

2.4.7. Neoclassical Economic Theory

The key characteristics of the neoclassical economic theory are (Hodgson, 1994): assumption of rational/maximizing behavior by agents with given preference function, focus on attained, or movement towards, equilibrium states and absence of chronic information problem. The neoclassical theory explains the initial motives for outsourcing demonstrated by some pioneering companies like Kodak. However, the theory has received a significant critique for not being able to explain contemporary business processes. Especially, the concepts of rationality and absence of chronic information problem have been criticized. However (Gottschalk andsaether, 2005) showed that the neoclassical economic theory explains critical success factors of outsourcing that are being evaluated in the Reconsideration phase.

2.4.8. Social Exchange Theory

The social exchange theory explains interpersonal relationships by positing the economic cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Saether, 2005). The theory has been used in combination with TCE to specifying switching behavior in the Reconsideration phase.

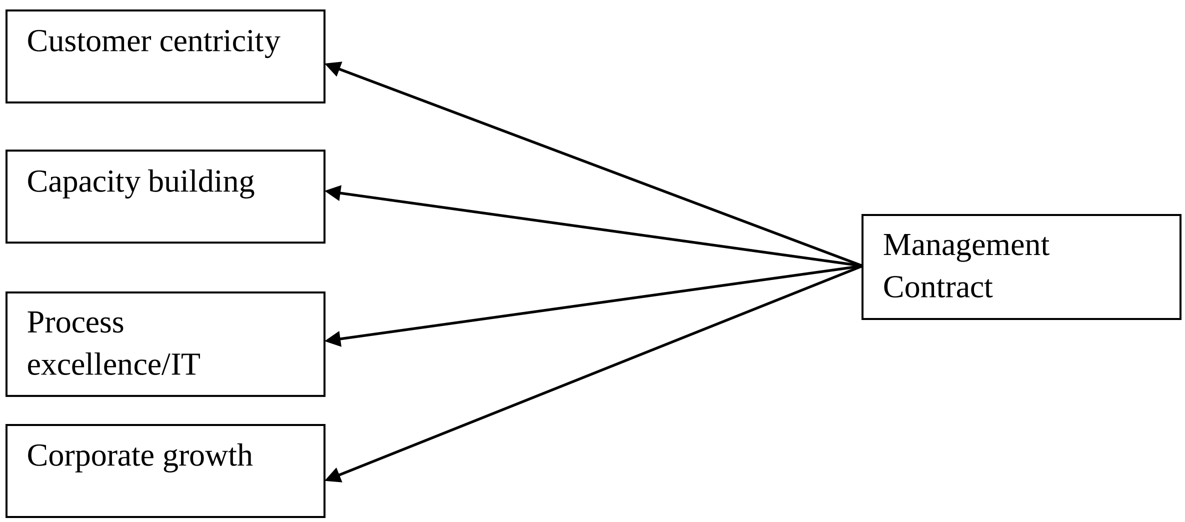
2.4.9. Economy of information

new economic models such as search theory and concept of signaling has been integrated under this approach so as to explain typical insufficient markets situations where two parties possess unequal or none quantity of information. Application of the economy of information in outsourcing is associated to activities of searching, selecting, and contracting the vendor within the constraint of imperfect information, (Perunvic, 2007: 11-18)

2.5. Conceptual framework

The conceptual framework of management contract and corporate strategic realization is developed based on a review of EEU's strategic plan. The four strategic dimensions of management contracting; customer centricity, capacity building, process excellence/IT enablement and corporate growth are dependent variables whereas management contract is independent variable of the research framework. The following figure shows the relationship between the independent and dependent variables.

Figure 2.2: conceptual frame work



Source: Reviewed EEU's Strategic plan

Chapter Three
Research design and methodology

3.1. Research design

On account of the research problem being considered descriptive study design has been deployed as constitutes to the blueprint for the collection, measurement and analysis of data. The management contract being independent variable and company's strategic performance as dependent one that relies on the decision to engage in management outsourcing a descriptive type of study was utilized where it is necessary to describe characteristics of selected entities within the organization, to estimate the proportions of a population sharing particular trait, and to discover association between management contract and examined aspects of company performance to handle measurement and analysis. Alongside the same design has been followed when it was essential to qualitatively elaborate the problems and practices in relation to practical implementation of the management contract. The rationally to select and use this design is, because the method can provide precise information from wider sample range and to facilitate explanation of prevailing dominant mind-set and participant's perception towards the management outsourcing practice and its effect on company performance

Since this study has implemented the use of a descriptive research design it involves collection of primary data from selected cluster of employees and senior management members who have been working there prior to and during the contractual period. In addition to the primary data secondary data is collected from the company's corporate planning, retail business Finance, human resource, and contract management divisions. Which are then analyzed using statistical manipulation for the quantitative data and narrative analysis for the qualitative data.

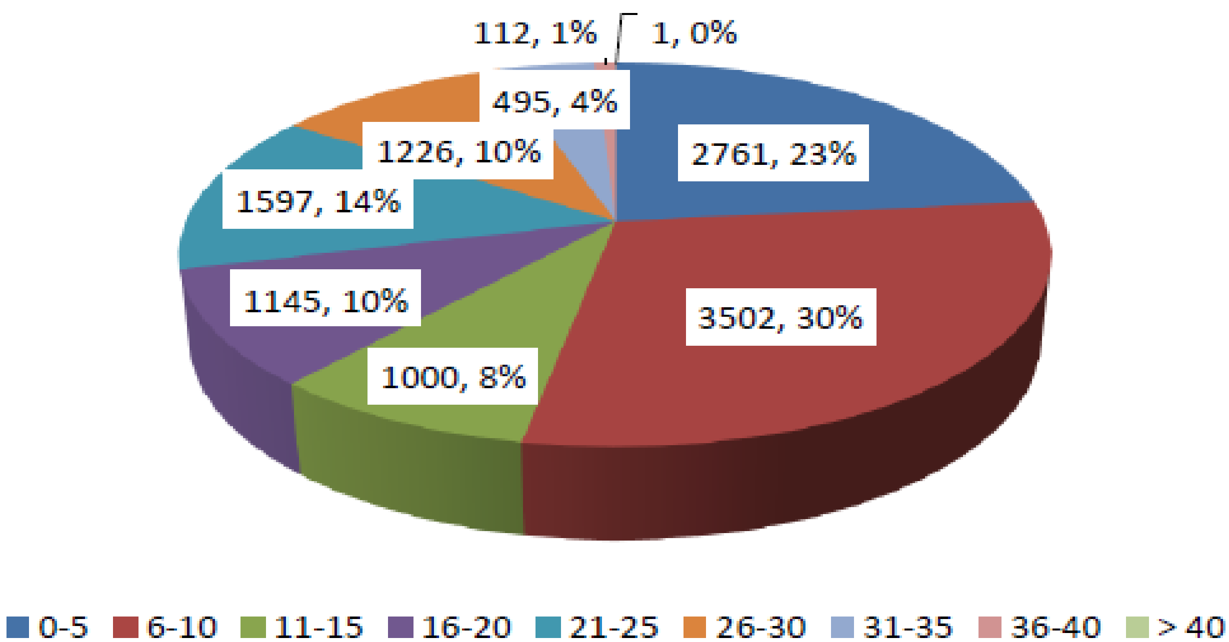
Regarding the type of data, it is based up on contemporaneous assorted methods which help to collect and analyze both qualitative and quantitative data simultaneously. The study result could be generalized to the Ethiopian electric utility employees in head quarter, which is the main scene of the study, with a possible extension to the overall regional and district wide entities with careful extrapolation.

3.2. Population and sampling design

The defined target population of this research study includes EEU's headquarters employees that have been working for four or more years in the company since they are qualified to explain and compare what have been significantly accomplished before and throughout the management outsourcing period.

Referring to a payroll data obtained from EEU'S HR master file for the month august 2016, currently there are around 11854 permanent and 4965 contract employees working across 15 regional administrative cores which in turn encompass 420 district offices. Depending on the organizational sizing about1412+employees (987 permanent and 425 contractual) are at the headquarters. Out of which 87% (1228) staffs are within the range of >=4 years of experience which leads us to the approximate target population of this research. Taking this figure as a starting point, the optimal sample size was determined using the following scientific technique.

Figure 3.1: Manpower distribution by experience EEU's strategic plan-2013



Source: strategic plan -2013

To determine the sample size and representative of the target population, the study use statistical instrument formula. The arithmetical formula is adopted from (Israel, 1992).

$$n = \frac{N}{1+Ne^2}$$

N=total target population n= sample size e= margin error

The study assumes that the margin of error 5% and confidence level or error free of 95%. Using the above portrayed statistical formula, the sample size of study computed as follows:

$$n = \frac{N}{1+Ne^2} = \frac{1228}{1+1228(0.05^2)} = 301.7199 \approx \mathbf{302}$$

This sample size has further been verified with the NEA research bulletin (Vol 38:99) to make sure if it aligns with the list of standard sample sizes for different sizes of population at a 95% confidence level. Hence the quantified figure appears to be a reasonable volume for the presumed rationale that slightly fewer subjects are expected due to unforeseen retractions.

For the reason that there certainly are imminent variations in the population on the parameter such as department, qualification, experience and position that are studying/measuring, Stratified sampling method which is a probability sampling procedure in which the target population is first separated into mutually exclusive, homogeneous segments (strata) mainly on the basis of department; which comprises all the 19 functional divisions in service, and then a simple random sample is selected from each segment (stratum);will be implemented as favorable sampling technique ,ascertaining that each departmental/process group affiliates are part of the survey with a known chance of being selected.

Moreover>=1 senior managers, in proportion to their executive span, from appropriate departmental area with similar width of experience are also part of the research population.

Based on the fore identified sample size, the target populations of the study were 302 employees residing at various organizational positions and 15 of them have been top level and executive managers. While the staffs were selected deploying a multi staged stratified sampling technique, department heads and members of senior management were methodically specified from eligible functional divisions in correlation to the predetermined research scope.

3.3. Types of Data to be Collected and Used

This research highly relies on survey study as a main tool for primary data collection which was further supported with documentary secondary data for the required level of information accomplished through secondary data collection.

3.3.1. Primary sources of data

Questionnaire

Appropriate information about current practices and changes in light of the management contract was assessed through data gathered with the aid of questionnaire set for worker level employees, First level supervisors (E1),junior managers/officers (E2,E3), intermediate level managers (E4) and senior managers (E5).Whereas, interview were prepared for top level executive managers (E6 and above).

The questionnaire was mostly being structured with closed ended type and an open ended approach was also slightly engaged to have endowed respondents with an option to state what they felt important. Accordingly, 5 point Likert scale items were offered for respondents because it is helpful to choose one option from the given scales that best align with their views. Instead of putting dichotomous response for attitude measurement, such an approach is better to capture sensitivity enhancing instruments ability to accurately measure variability in responses In addition to this, open-ended questionnaire was brought into play in order to offered an opportunity to convey the way they think, feel, perceive and whatever attitude they might reflect related to management outsourcing decision and practices in the organization.

Interview

Having the prospect to endow swift probing options, an interview allows greater depth of response which is not possible through any other means of inquiry. Thus, the purpose of interview would be to collect more supplementary opinion. With this in mind, an interview was conduct with selected higher level and Chief executive Managers. Pre-coded Semi structured matters are primed for the above respondents. Semi structured interview items allows respondents to have the opportunity to avail any additional views they might suggest. Entertaining the advantage of flexibility in which new questions could be forward during the interview based on the response of the interviewee is the other rationale in favor of semi structured survey method being applied.

3.3.2. Secondary source of data

Documentary secondary data

Selected portions of the analysis have been addressed on the basis of annual performance reports obtained from EEU's corporate planning department. The assessment was conducted with intention to appraise effectiveness comparing planned and actual execution. Financial, distribution and retail data since May 2013 were mainly stressed to make a summarized impact valuation of the management contract on sustainable corporate growth. Further explaining departmental reports and gap analysis report (2016) were referred to describe change in service delivery and customer management, to asses internal improvements and to see functional areas where the contract appears successful as well. Bucking up the data collection with document review helps to save resource, to avoid unobtrusive measures and to affect comparative or contextual analysis.

Departmental reports, from retail business (in ordered to address marketing and customer related data), process Excellency (about key performance indicators and their level of attainment), human resource (with respect to knowledge transfer, development and motivation),ICT (MIS and technology enablement) , finance (comparison of pre and post management contract financial performance) and corporate strategy division (review of planning and implementation effectiveness) were considered as an internal source of information together with the ratified document of management contract.

Supplementary data for this study had been assembled through Personal interviews with respective managers and self-administered questionnaires from selected employees.

3.4. Data analysis Methods

Subsequent to the data collection phase when it was presumed that the demanded detail of information has been obtained, data analysis was carried out by means of the pertinent inferential analysis package; statistical product & company service solutions (IBM SPSSversion-20) to have validated the data and Microsoft excel to process most part of quantitative data collected. Besides, descriptive analysis was followed to proceed with the rest of the qualitative part. In order to ensure reliability, the data that has been obtained through interview was organized and qualitatively analyzed in alignment with what have been gathered, tallied and tabulated through close ended questions. Then, once validity had thoroughly been criticized to assess the research instrument for conceptual intelligibility each finding were interpreted and their organizational implication have also been synthesized with the help of frequency and percentages an input for the recommendation and conclusion part of the paper.

Chapter Four
Presentations and analysis of data

The analysis and interpretation of this study is mainly based on the primary data collected from EEU headquarters supported by company performance reports as a secondary source of information. There were two classes of respondents for the course of data gathering. The first cluster consists of staffs selected to answer to close ended questions. The other groups were EEU managers chosen from a range of eligible departments who responded to semi structured interview.

All corporate plans, strategic gap analysis documents and annual reviews examined were merely enclosed to the contractual period of time. Out of 302 questionnaires distributed to cover the identified sample size, 290 were properly completed and returned. This represents a valid response rate of 96% from the dispersed items. Consequently, data gathered were organized and analyzed in a manner that enables to answer the basic research questions raised at the beginning of the study. Answers provided by the respondents are analyzed in the following sections.

4.1. Empirical findings

4.1.1. Reliability Test

Both qualitative and quantitative assessment of data quality results in very good consistence. Except for test retest method which had not been deployed due to short time gap to reconsider the same target population for any change in perception, parallel form and split half methods were somewhat practiced to make sure internal consistence. Convergence between interview and questionnaire items intended to measure similar concepts along with steady stream of connectedness among inter-reliant portions of data collection items designed to probe mutually supporting elements has implied trustworthiness of data gathered.

Reliability analysis was also computed to test whether the scale used in the study is internally consistent and consistently measures the criterion variable using the reliability procedure in SPSS (version 20.0). From data analysis the cronbach'salpha for this study is 0.873 which is finely acceptable according to the standard set by George and Mallery (2003) and it is over the acceptable limit of >0.70 which happens to be quantified for all individual dimensions considered as test variable.

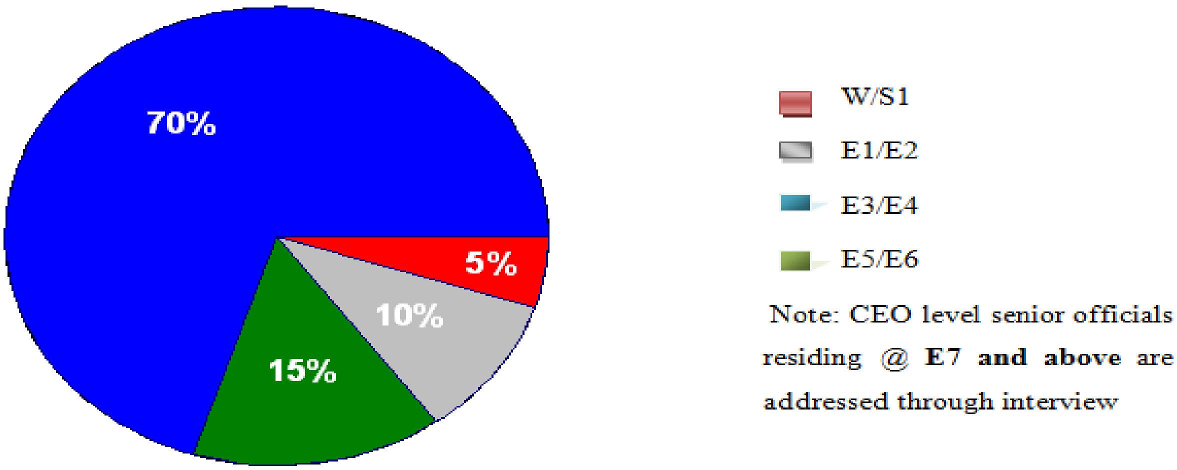
4.1.2. Validity of the data

In order to enhance exactness of research findings through strictly devised data collection methods capable of accurately measuring what they are really intended for, content and face validity aspects were carefully analyzed. The data collection items were assessed if every research objectives were covered in such a way that allows exercising articulated measure of concepts associated with management contracting. Regarding the construct validity, data items were managed to discriminate unnecessary entities beyond the defined concept and research scope. In addition to what have been done to develop a soundly structured data collection instrument, an effort to cautiously maintain the target population to have only included the optimal range of respondents both in terms of tenure and organizational position was another attempt to capitalize on data validity.

4.1.3. Employee's position, expectation and image

The subsequent research findings indicates tenure of the staffs and their respective position in EEU or the former EEPCO if they have stretched years of service, the change in perception, organizational image and corporate citizenship due to the outsourced management and what they have waited for by the time the contract was commenced. Out of the 290 respondents in use 49% have been working in EEU from 4 to 10 years, 23% have worked in the company between 11 to 17 years; 148% have tenure of 18 to 25 years and the remaining 18% have served for more tan 25 years. In aggregate 72% which is nearly two third of the research populations have ceiling tenure of 17 years with the company endorsing the credential of respondents to make fair comparison between utility and former company as a result of international management contract

Figure 4.1: Respondent's hierarchical map in utility structure



Source: Survey data 2016

Analyzing participant's organizational whereabouts; as it can be presumed from the above chart most of the respondents are right in the range of executive (E) 3 and E4 which is company specific hierarchical nomenclature representing junior and senior officers, experts, analysts and managers in intermediate chain of command. Adjacent to this cluster which accounts about 70% are higher level managers reside at E5 and E6 comprise 15% followed by E1-E2 with approximate ratio of 10 %.workers (W) and supervisors(S) appears last covering 5% of the respondents. Analyzing outsourcing expectations in proportion to respondent's position unlike the presumed assumption that the higher we move in the structure positive expectations are dominant the summarized output implies indifference. Irrespective of participants organizational height 78.9% of respondents reply radical change and fair improvement was anticipated early in the beginning whereas 24.8% of the responses confirm either complexity of crisis situation to have caused by contractual engagement.

Table 4.1: employee's expectation from the management contract

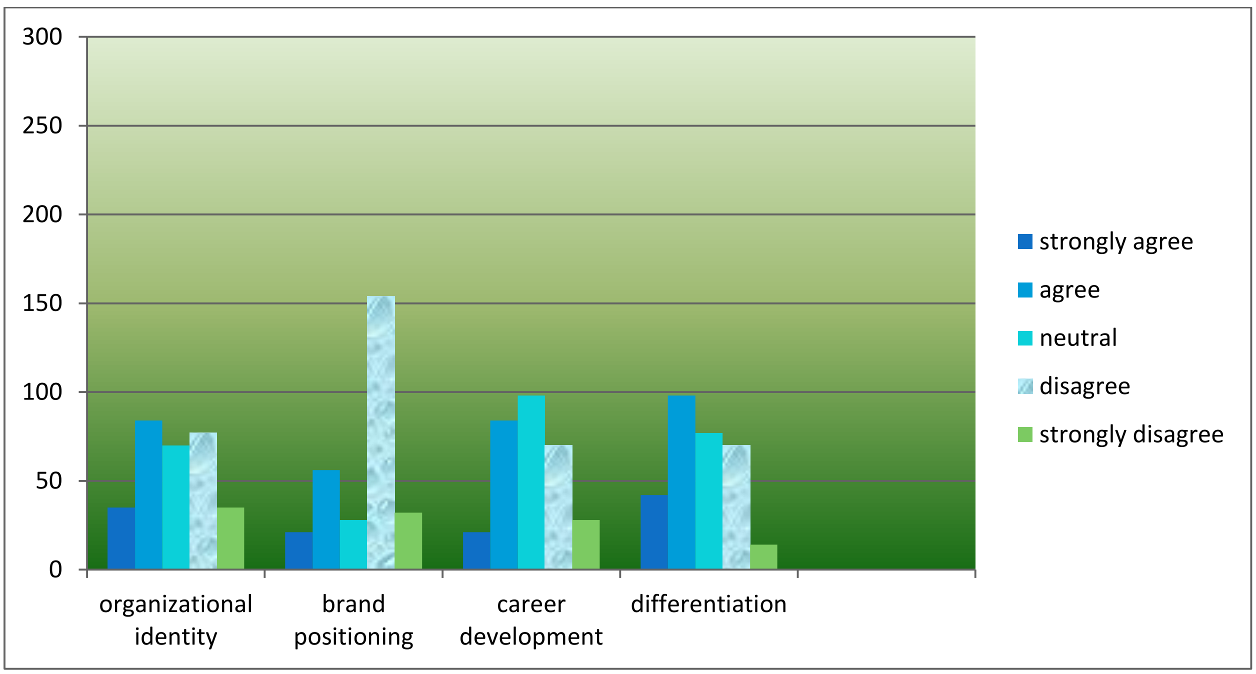
	Frequency	Percent	Valid percent	Cumulative percent
Radical change	47	16.2	16.2	16.2
Fair improvement	124	42.7	42.7	58.9
Same state	47	16.2	16.2	75.1
Complexity	46	15.8	15.8	91
Crisis situation	26	9	9	100

Source: Survey data 2016

4.1.4. Change in image and corporate citizenship

Aggregate results obtained through four converging inquiries designed to consistently measure employees overall attitude towards the company indicates the succeeding figures illustrated underneath:

Figure 4.2: clustered graph for image and branding



Source: Survey data 2016

According to the survey data employee's image towards the company is not significantly changed. Though long-standing problem of high turnover and low retention capacity shows good improvement, there is week evidence to relate this progress with boost in staffs organizational identity and internal branding. Responses forwarded to inquiries intended to estimate employee organizational pride appears to be modest by implying balanced reflections with 27.9% of agreement and 25.5% of disagreement. While 23.2% of participants express neutrality and comparable ratio of 11.6% heads to both edges of strongly agreement/disagreement. Besides the finding 32.5% of employees have moderate attitude about how utility is contributing to their future career development amalgamated with 27.9% agreement and 23.2 disagreements indicates slightly distinct items to correlate impact of management contract to ignite significant alteration in this respect. In another portion of the research majority of employees appreciate the outsourced management for instituting better financial incentives that greatly differs from previous pay system. This is one implication which could logically be integrated as a contributory variable to buck up the dilemma in companies retention and attraction improvement as a replacement for the assumption about complimentary change in image and corporate citizenship.

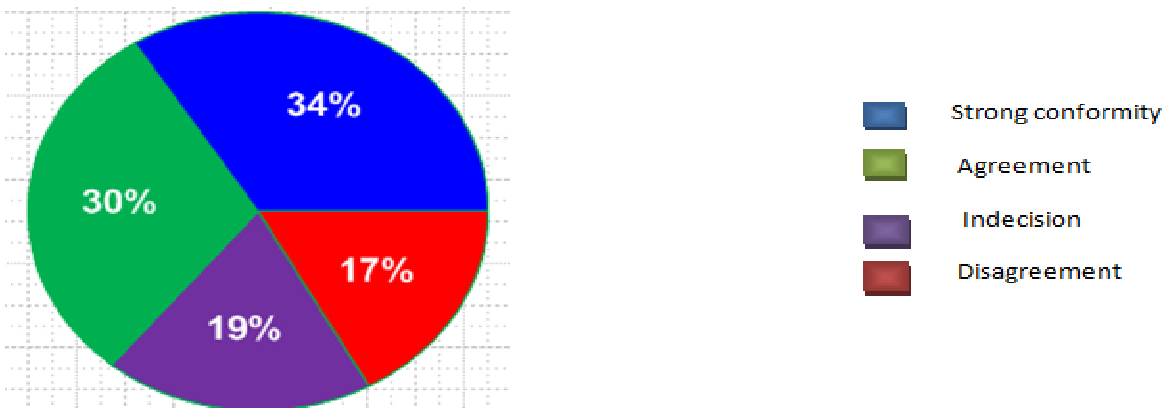
Assessing changes in corporate brand though 46.4% of participants which 1.6x outweighs those who contradict agree to have perceived observable difference between EEU and EEP, only 25.5 % of respondents which is much lesser figure compared to the counteracting population of 65% acknowledge outsourced management to have built a highly regarded, appealing and well positioned corporate brand

4.1.5. Process Excellence and IT enablement

Despite the significant progress made in power sector, the process coordination and efficient delivery, translating finally into improved revenue profile, and customer satisfaction remains to be a major challenge in utility performance. This difficulty went more pronounced with time as the generation targets were met and system was further constrained in delivering these capacities to stakeholders; revealing imminent need to embrace process excellence.

Hence one of the primary pillars of the management delegation was improving the way that businesses create and deliver value to customers with improved process design, ownership, standardization, control and continual improvement. Analogous to this corporate strategic premise evaluation of excellence related achievements was among the prominent objectives of the research and survey findings in this regard are illustrated beneath.

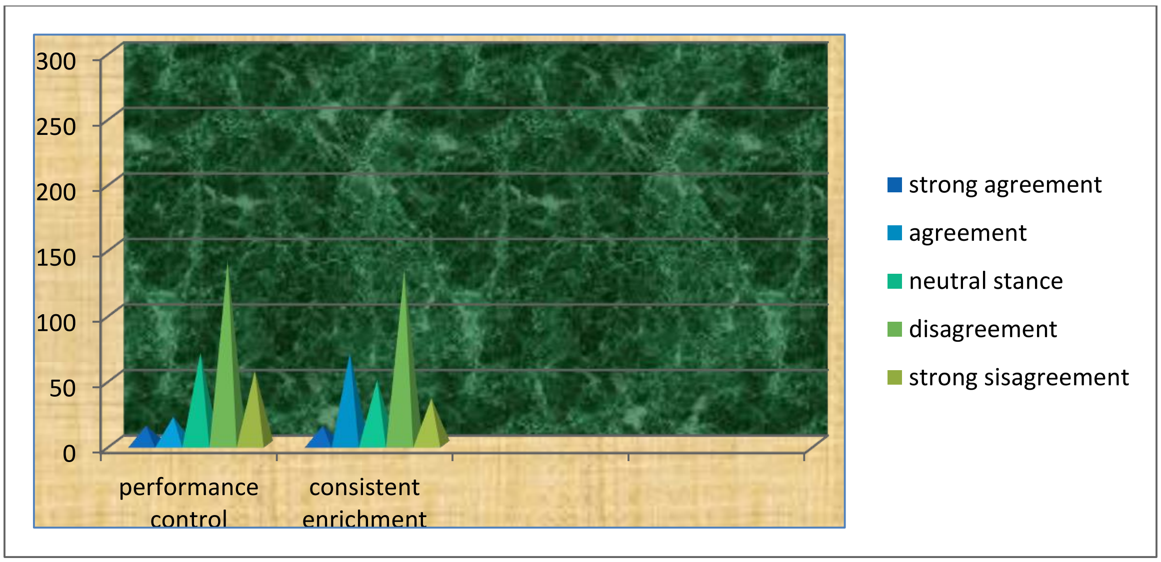
Figure 4.3: improvement in Process design and structural articulation



Source: Survey data 2016

The above figure portraits almost half of the participants have positive observation about how the outsourcing effects implementation of better structured work flow and interdepartmental integration with consensus level of 34% agreement and 30% strong agreement supporting the outsourced management for mapping better arena that facilitates smoother communication. Whereas 19% of the respondents prefer to stay put in the neutral zone, the remaining 17% stands in close proximity to the opposite pole contradicting any presumed realization. The output shows relative development as far as design and structural amendment is considered.

Figure 4.4: process monitoring and continuous improvement



Source: Survey data 2016

Well considered structural and/or procedural framework alone does not bring the intended excellence unless continually monitored for improvement using the assigned controlling devices and KPI’s. In this reference, when respondents were requested to evaluate PGCI’s approach most of them have reflected enforcement gap being the prevalent issue not to entertain significantly different experience during the outsourcing period. Even though staff participation and involvement were greatly encouraged, similar to previous management commentary views were overlooked and negligence to prize employees complain, suggestion and feedback remains common. In decline to endorse effective process monitoring 44.5% disagreement and 18.6% strong disagreement and 44.1% disagreement and 14.9 strong disagreements for organizational culture to incorporate suggestion for future improvement, substantiates the argument that outsourcing does not bring change in this dimension. To further exemplify findings, around 11.6% and 27.9%of respondents agree to accept practical improvements in process control and improvement out of which only 4.6% shares strong consent.

Table 4.2: effective implementation of plans

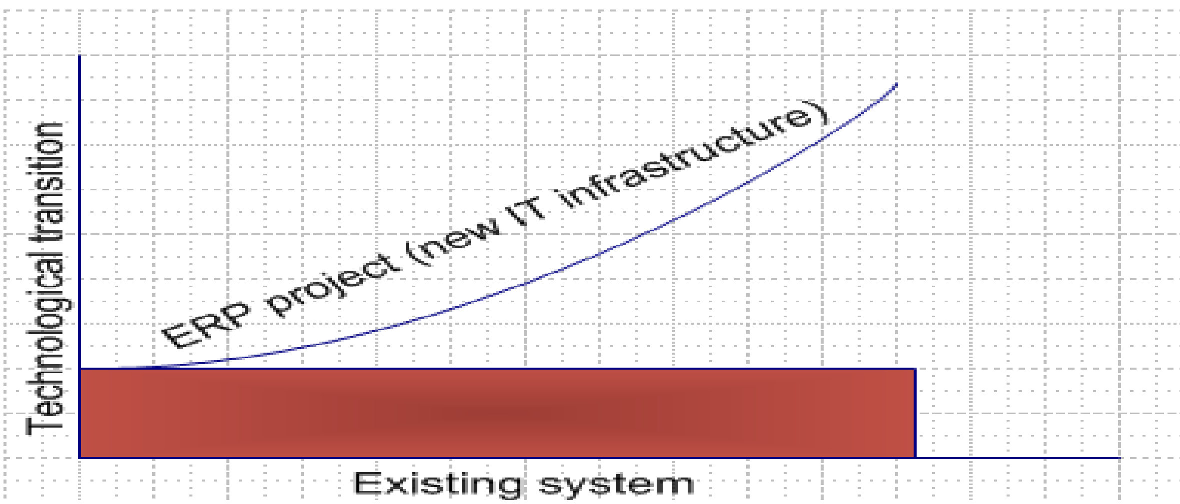
	frequency	percent	Valid percent	Cumulative percent
Strongly agree	12	4.1	4.1	4.1
agree	56	18.6	18.6	22.7
Neutral stance	35	11.6	11.6	34.3
disagree	154	51.1	51.1	85.4
Strongly disagree	44	14.6	14.6	100

Source: Survey data 2016

Prior to the outsourcing there are signs that implementation wasn’t as good as planning, the above figure also elaborates no significant change in successful attainment of plans. According to survey results most of responses reaching up to 51.1% disagree to affirmatively appraise momentous performance in implementation followed by 18.6% agreement and 11.6% neutrality. The remaining conservative extremes of strongly agree and disagree compute 4.1% and 14.6% respectively. In accompanying section of the research majority of the respondents have also question contractor’s role to augment tactical support of information systems in planning, budgeting and monitoring.

Supporting Customer-Centric Initiatives, IT-Enabled Work Environment, MIS and Executive Dashboards, and operational efficiency being the four broad goals, outsourced management was contractually obligated to equip the company with proven IT infrastructure through Phasing of the rollout and gradual replacement of management solutions in such a manner it would allow to utilize the existing level of IT while adding the new technological interface as per the business priority. In this case the analysis shows to face findings with different margin of effectiveness ;as far as short term operational perspectives were taken it is difficult to say the contract was successful however there are evident accomplishments indicating promising circumstances in the long run.

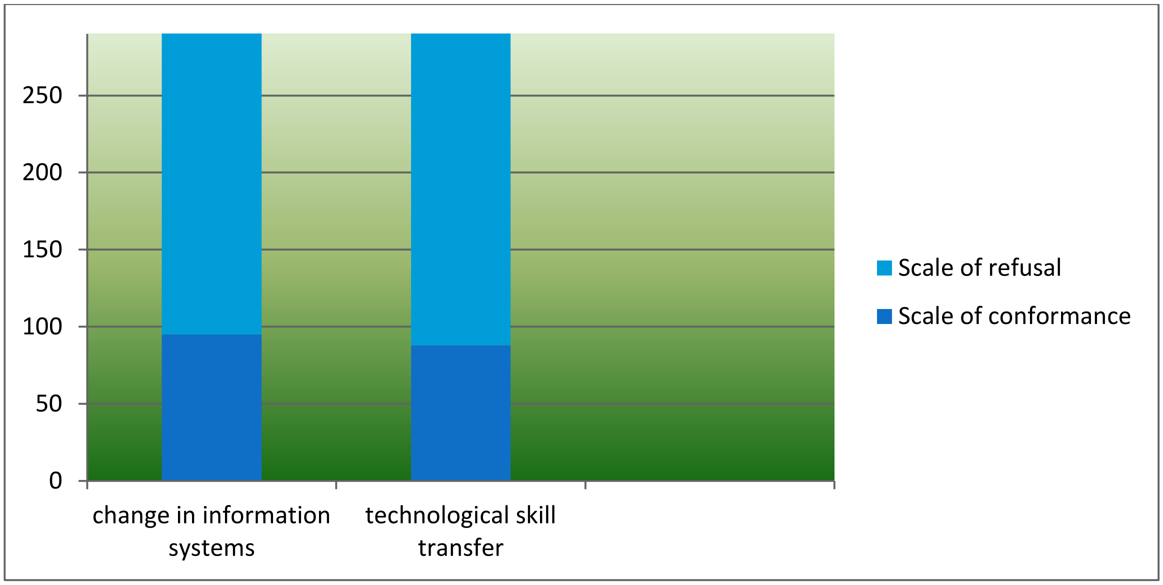
Figure 4.5: short run vs. long run IT performance



Source: Survey data 2016

Combined survey results indicate that revenue linked metering, billing, collection and outage management processes have been operating using already implemented systems of CMS (customer management system), LCA(local collection application) and LRA (local reading application) developed by Spanish company. Whereas payroll and asset management were managed by IBM based IS-400 systems that have served the business for more than two decades and AGRESSO financial to operate budget and accounting transactions. Findings also shows that only about 23.2% of the respondents either strongly agree or agree the business information system has improved. Many respondents close to 60.4% however have disagreed to acknowledge contractual success in creation of IT enabled operational environment that observably altered previous scenario with the introduction of new information systems. Out of which 13.9% strongly argue to have experience no any technological development or replacement for that matter.

Figure 4.6: outsourcing developments with regard to Information systems and skill enhancement



Source: Survey data 2016

4.1.6. Capacity building

Developing human resource competencies and skills at all level being the prominent expectation, enhancement of the existing infrastructural capacity was part of the management contract, to widen management and technical capability strengthening process of building a world class utility. However, most respondents claim insufficient execution in this aspect. While 25.5% of data collected supports the outsourced management to bring better device regarding knowledge and skill enhancement, majority of respondents with 67.4% representation evaluate contractor's contribution undifferentiated from previous management which was weakly organized especially in functional and technical training packages.

In related assessment where knowledge management and transfer aspects bring in to analysis with the exception of 16.2% neutrality and 25.5% support; considerable sum of participants reaching up to 58.5% in proportion disagree to accept introduction of new system to manage, share and create relevant knowledge. Such findings imply unsatisfactory achievements to attain utility's broad objective to established organized knowledge management set up to systematically capture and store corporate knowledge in an interactive data warehouse so that it is not lost in case an employee leaves, retires or expelled. In addition Indian management was also unable to launce effective knowledge transfer mechanisms help to retrieve and distribute knowledge; and ensure its availability to all the employees

Table 4.3: Assessment of knowledge management, transfer and development aspects

	Frequency	percent	Valid percent	Cumulative percent
Strongly agree	26	9.1	9.1	9.1
agree	47	16.2	16.2	25.3
Neutral stance	47	16.2	16.2	41.5
disagree	144	49.6	49.6	91.1
Strongly disagree	26	8.9	8.9	100

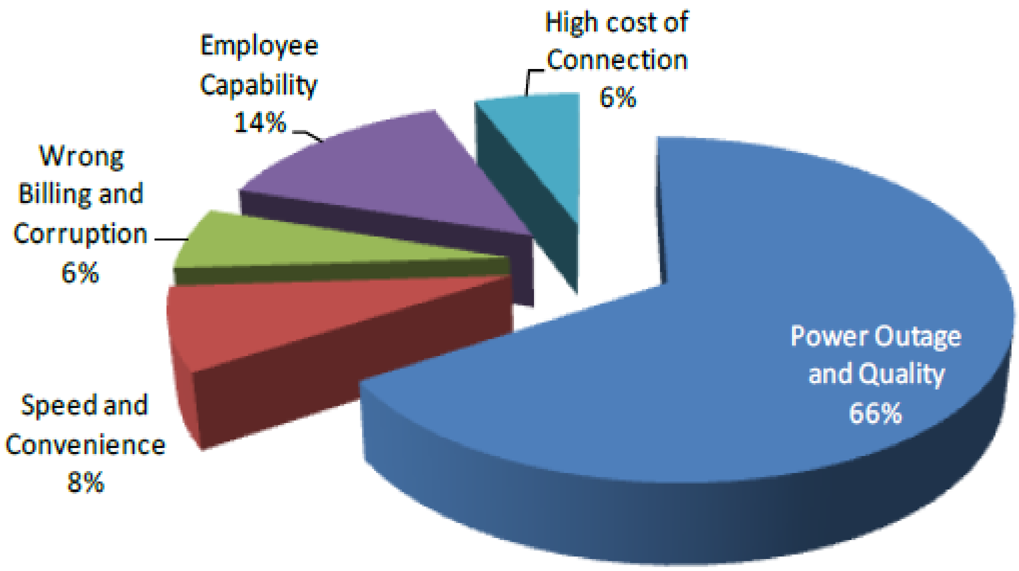
Source: Survey data 2016

Taking the limited time duration and complexity of knowledge transfer in to consideration instead of only focusing on individual items narrowly restricted to the intensity of expertise directly obtained from PGCI experts, surveyed inquiries were planned to comprehensively surveillance contractual success in relation to actions taken to alter the overall system and organization of training, development and approach to knowledge transfer. Yet analysis results strengthen observed signs of unchanged system of knowledge transfer leading the company to continue using old trends of informal exchange of job related knowledge which is mainly based on interpersonal relationship among colleague. Such scenario diminishes new staffs tendency to gain ordered information especially for those introvert employees having reserved social interaction. Concerning carrier development opportunities in contrast to staff's expectation, sponsor up-gradation of academic qualification which was blocked few years before the contract remains terminated while collaboration with specialized local and international institution to allow employees exercise practical exposure was intermittent and mostly permitted to management positions.

4.1.7. Service quality and customer centricity

Here the overall change in service quality was requested from respondents with the deployment of data collection tools designed to examine whether strategically identified sources of customers grievance were properly resolved period to help utility realize extended objectives of achieving customer delight through delivery of cost effective, reliable, quality supply of electricity and globally competent customer service.

Figure 4.7: Critical quarters of customer dissatisfaction

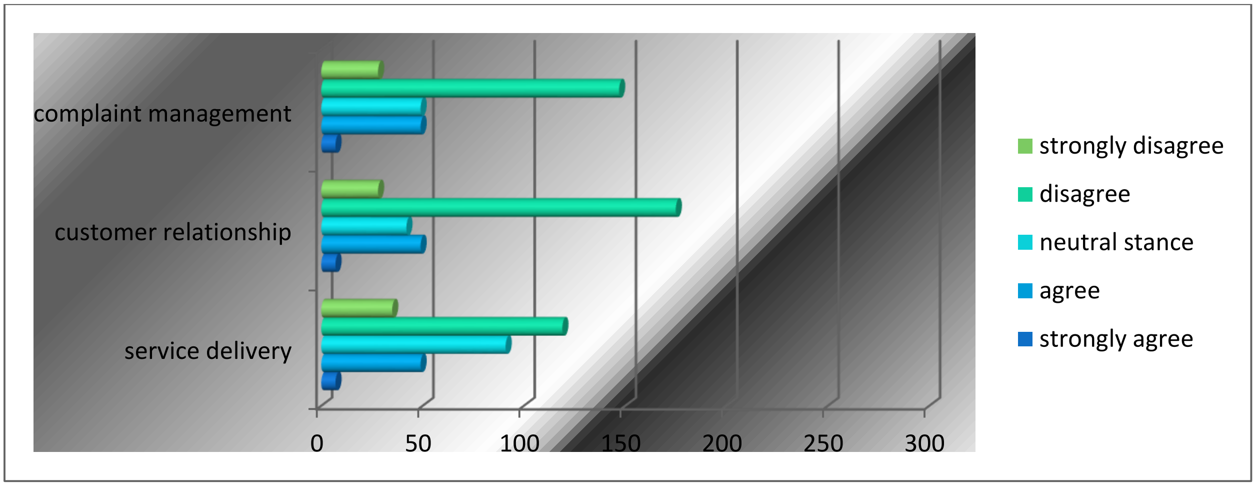


Source: corporate planning

Customer relationship and Compliant management, rate of new connection, power reliability and emergency support issues were assessed through questionnaires .Apart from wrong billing, the analysis shows no sign of significant improvement in the rest of key causes of customer dissatisfaction. Detail result of the survey for each items structured to evaluate service delivery are discussed below:

One of service parameters to measure service delivery was assessment of change in customer management and responsiveness. The above figure shows that mass of respondents (53.4%) disagree to the presumed idea that customer compliant has decreased during the outsourcing time. According to retail documents and reviewed reports power sector is still among those main services frequently criticize by customers and the general public as a whole. The 27.6% of research participants however prefer to recognize relative improvements in complaint management and responsiveness which they believe is very good move given the limited duration of the management contract. Out of which 9% of them strongly support their argument capitalizing on lately integrated customer touch points, namely customer service center, key account management and call center above all.

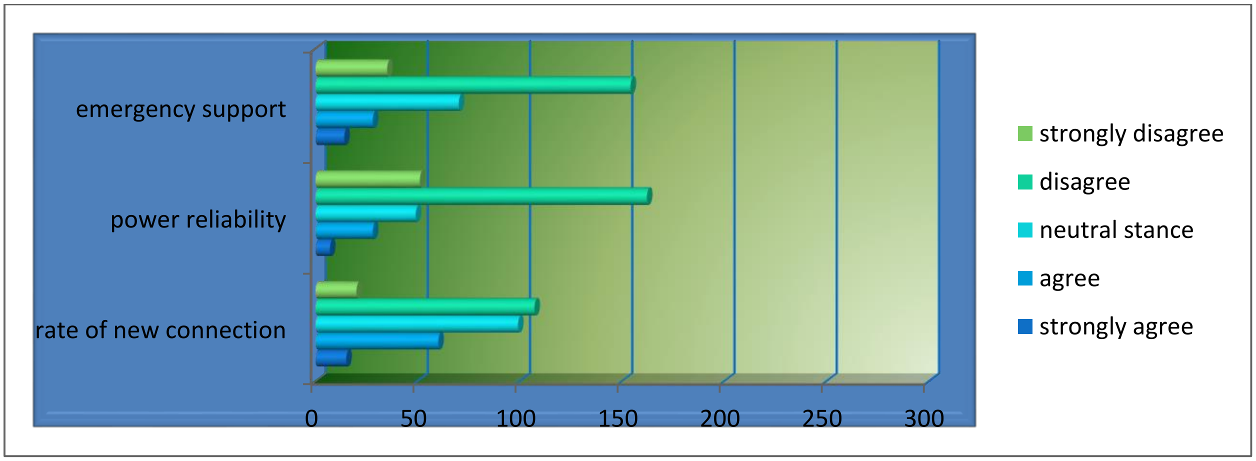
Figure 4.8: improvement in service, CRM and responsiveness



Source: Survey data 2016

As per secondary sources of information; surveyed documents indicate excellent achievement in industrial market segment as opposed to deprived pace of completion in domestic market segments. Company performance report shows 8.52% rate of execution for domestic (two phase) connection where as 247.8% rate of execution regarding industrial (three phase) connectivity. The high level analysis made on questionnaire however implies prominent quarters of 34.5% of indecision and 39.5% of disagreement followed by 16.2% agreement and 9% strong rejection with respect to new connection related progresses attained in domestic (household) market segment.

Figure 4.9: Outsourcing effect on domestic new connection, power reliability and maintenance



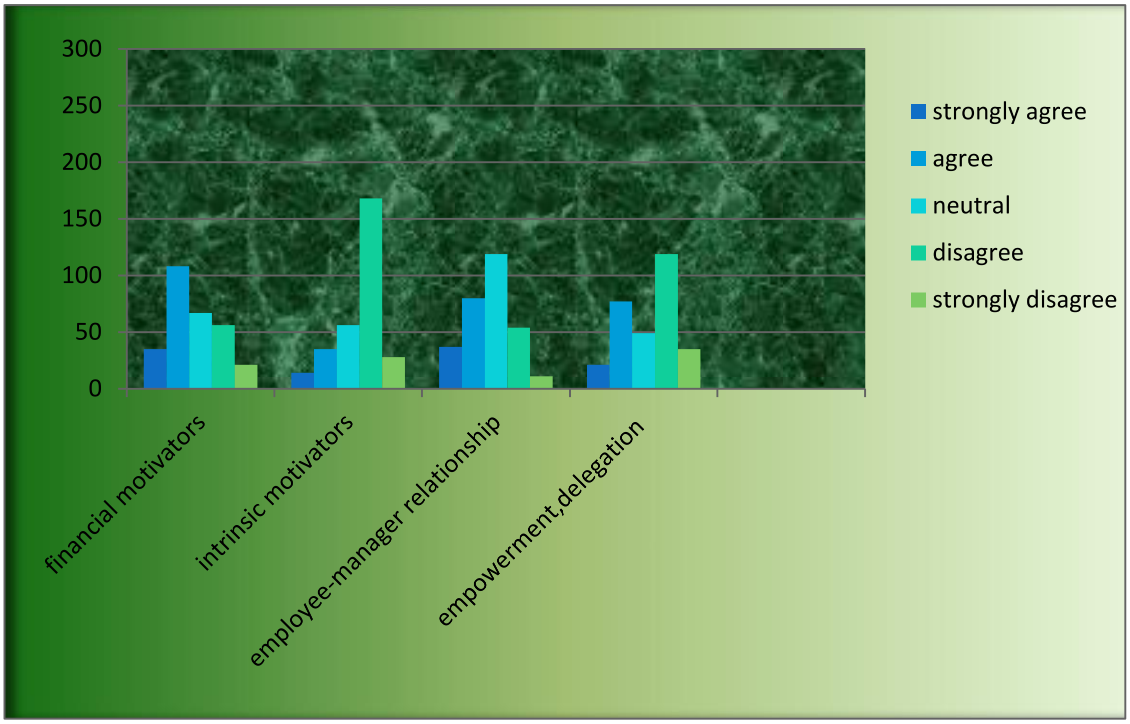
Source: Survey data 2016

53.4% and 51.1% disagreement accompanied with 16.2% and 18.6% strong disagreement regarding power reliability and prompt maintenance respectively illustrates luck of improvement despite contractual targets to bring different picture. This clearly indicates how necessary it was to launch infrastructural (distribution and transmission) projects in conjunction with the management outsourcing. Hence by the end of the contract technical and engineering related aspects would as well be renovated to grant utility the required electrical grid to avoid frequent power outage and delayed maintenance of interruptions which are the foremost sources of depleted corporate image and bad public attitude.

4.1.8. Overall Corporate growth and performance

As part of evaluating overall effect of the management contract respondent were requested to give answer to couple of interdependent questions aligned in a manner that allows making comparison of management style with the form corporate administration, degree of contractual success and post transition circumstances. Though aggregate findings are less extrapolative to totally appreciate Indian's way of management as evidently enhanced and well differentiated, In contrast to previous leadership most respondents appraise PGCI's management approach for being relatively participatory.35% of participants inform to have entertained very good employee-management relationships during the outsourcing period while the rest goes to 45% neutrality implying no change in relationship at all and 20% decline. Majority of them agree that one of the functional divisions whereby much improvement was achieved with Indian management happens to be the human resource management aspect. Except for highly centralized structure which diminishes decisional power of regional HR offices, important achievements with regard to job evaluation, pay system and incentives were highly recognized. Besides with limitation of some spurious activities merely intended to maintain formality; promotion, placement and transfer scenarios were also somehow acknowledged to show efficiency. Unlike financial motivators positively taken by almost half of the respondents 64.3% disagreement, out of which 9.3% strong rejection shows luck of significant improvement to create a differentiated work environment which pays due attention to intrinsic motivational factors.

Figure 4.10: Employee-manager relationship and HR related changes



Source: Survey data 2016

Measuring the respondent's general assumption about contractual success for almost 70% of participants the aspired performance improvement was under achieved. Though there are undeniable improvements in various sections of the organization, 23% indecision and markedly slighter range of 6.9% aggregate consensus compared to the above figure evidently reflects unsatisfactory realization of objectives.

Table 4.4: overall achievement of the management outsourcing

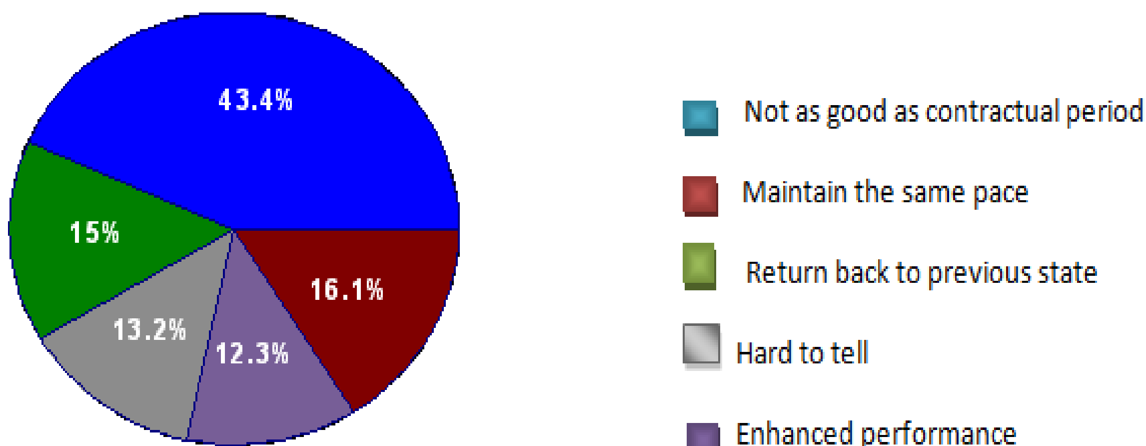
	frequency	Percent	Valid percent	Cumulative percent
Strongly agree	15	5.3	5.3	5.3
agree	22	7.5	7.6	12.9
Neutral stance	68	23.4	23.4	36.3
disagree	149	51.3	51.3	87.6
Strongly disagree	36	12.4	12.4	100

Source: Survey data 2016

However this does not necessarily mean the outsourcing was not as such important yet better there is still another analysis which markedly substantiates this argument i.e. in related inquire by the time employees were asked to describe what they have witnessed once the outsourcing has been completed 43.4% of them tell post transition performance is not as good as the management contract period. This in turn among other things might indicate either the Indian management was not capable to instill its management philosophy or the contractual time frame was inadequate to bring significant influence.

By under achievement it means neither negative correlation nor inverse relationship between management contract and any of the test variables under consideration, it only signifies the level and magnitude of positive influence or significance that the outsourcing has in alignment with a particular performance indicator which in this case are those sets of strategic pillars assessed to be inadequately realized as to the compiled survey data.

Figure 4.11: organizational situation in the aftermath of contractual completion



Source: Survey data 2016

Table 4.5: assessment of corporate growth 2013-2015

#	Performance parameters	Unit	2013-Planned	2013-Achieved	Rate of execution	2014-Planned	2014-Achievemed	Rate of execution	2015-Planned	2015-Acheved	Rate of execution
1	Low voltage distribution line improvement	k.m	1495	1344	**90%**	3640	2075	**57%**	3948	928.09	**24%**
2	Medium voltage distribution line improvement	k.m	2127.04	1592.5	**75%**	2495	1560	**63%**	2663	1282.7	**48%**
3	New distribution transformner improvement	No.	858	221	**26%**	1195	422	**35%**	1682	690.67	**41%**
4	Low voltage distribution line extention	k.m	940	727	**81%**	2339	1435	**61%**	9475	1844.1	**19%**
5	Medium voltage distribution line extention	No.	558	431	**72%**	1490	1387	**93%**	5199	2343.9	**45%**
6	Distribution transformer installation	No.	382	201	**53%**	4832	2257	**47%**	5002	2677.3	**54%**
7	New connection	No.	1124967	100590	**9%**	950000	131028	**14%**	725587	180028	**18%**
8	Revenu collected	Billion birr	4.668	4.097	**88%**	5.2	4.597	**88%**	4.9	4.2	**86%**
9	Rural electrification	No.	3000	506	**17%**	2104	747	**36%**	2042	398	**19%**

Source: corporate planning- gap analysis document (2016)

Besides demonstrating overall growth and effectiveness of plans, the above table also substantiates findings on post transition period implying slight degradation of performance following termination of the management contract. In previous section it is stated that most respondents react to questionnaire assessing company's statuesque once the outsourcing was completed by telling they have observe some sort of retraction and decline in performance; here indicators are also in tune, moderate contraction in growth rate is noticeable especially in distribution aspects as it can be visualized based on figures of achievement which have been reported for the year 2015.

4.2. Narrative of manager's interview

The analysis manner followed alongside inferential was to organize a qualitative research by arranging semi structured interview with preferred managers of the company. The selection was intended to include executives only from those functional areas being considered objective-wise. Out of 19 business processes being amalgamated to the organizational sizing; corporate planning, distribution (retail business), process excellence, IT, HR and finance department heads and senior managers comprising population of 15 were main focus of the interview in order to shape representativeness adjacent to the defining scope of the research.

EEU managers who were interviewed for the survey have been working in management position earlier, since and past the management contract and they all have tenure exceeding ten years of work experience.

To the opening inquiry made to assess how they had perceived the very importance of ruling management outsourcing in the first place, all of them positively address that it was substantially decisive to transfer company's management to experienced foreign client capable of adopting and integrating international best practices to enable utility achieving enhanced service delivery. Based on this shared reply there was another question forwarded to probe what makes it the last resort while there are other less costly alternatives to run the company with local management. 93% of them persistently refuse to most non outsourcing options capitalizing on abortive organizational change and restructuring attempts resembling to management reshuffle and replacement such as BPR, which were previously held on several previous occasions only to be proven non proficient.

Of the managers being interviewed 13(86%) have appreciated early stage communication efforts to create awareness about the management contract as well as pre outsourcing endeavors including both episodes of framework analysis and organizational implementation conducted in alliance with American (APQC) consultancy and Italian (BAIN & CO) consultancy firms. Conversely in later phases managers tells that information flow is not as transparent as previous phases. The major deliverables of contractual closure; wrapping up tasks and performance evaluation reports are not properly disseminated to ensure the outcome is approved and predefined agreement items were not overlooked. With the exemption of one manager the remaining doubt if retrospectives of lessons learned were designed to catch any missing issues with post contract review and to improve performance in similar undertakings that might be taken in the future.

While measuring contractual success managers response shows functional variation in realization of anticipated goals. To start with PGCI's leadership style most of the managers describe it as democratic founded on participatory work environment that allows two way communications which was enabling and inclusive nevertheless- for -that there was limitation to really revise things on the basis of feedbacks being forwarded since they were not willing to reconsider comments and to introduce visible adjustments. Based up on this 20% of managers were not certain enough to accept to recognize their approach as fully democratic. In practice they were structure (task) oriented mostly striving to accomplish contractual boundaries this was the main reason why remarks were not properly taken to manage intermediate changes of priorities, they said. 66% of them also appraise contractor's pressure to bring cultural change and transformation with the adoption of standard policy and monitoring position. Use of management dashboard (manual) to surveillance process performance in weekly basis, configuration of outlook to support internal communication and service level agreement to bind cross functional as well as vertical transactions are some initiatives mentioned by interviewees to support signs of organizational change. However there was also problem of enforcement to strictly exercise them throughout the company impeding the intent to build and install them in to core values.

Pertaining to the way how their decision making circumstances have been affected due to the outsourcing, almost all of them describe that compare to former corporate scenarios they were less empowered to pass decisions on the spot. As a result of highly centralized chain of command they had to regularly escalate functional affairs for approval before passing a resolution by themselves. Two managers however explain that proper documentation and solid obedience of procedures greatly help them to have significantly exercised more quality decisions than before.

Ranking contractor's strength every manager with 100% rate of consensus have stated documentation (organization) and structuring (with some reservation) are the leading attributes. In addition higher level of technical expertise especially in distribution, systematic (disciplined) problem identification and commitment to contract/agreement elements are also traits exceptionally appraised. Three managers question structural effectiveness underlining customization issues. In some functional portions Power grid India ltd. has deployed its own best practiced framework causing divergence both from APQC classifications in which the company had invested a lot of resource in order to be implemented as governing process model and utility's as is situation setting the compulsory business context in which the company will operate.13% of them also stress that though it is undeniable success; the gap in structural fitness unless promptly get corrected might be major cause of strategic misalignments, customer complaint, procrastinated decision ,reporting confusion and red taping .

Employee redeployment is another successful achievement which unlike most transformational restructuring cases results in additional job opportunities instead of layoffs. Here most celebrated decision/process was a special attention prearranged to examining and refining employee's profile; this assignment was carried by a separate IT team responsible for updating and ensuring employees educational and tenure back ground based on their evidence and consent. Relying on these recordings the HR unit conducts the whole job analysis to result in all job descriptions/specifications essential to fulfill the entrepreneur manpower requirement, and it was finally posted as a vacancy announcement for every internal/existing employee to compete for any position they prefer as per their knowledge and experience. Because of this activity it was possible to greatly lessen employee complaint to the fair minimum. Once the organization sizing was completed every single one of former employees were reassigned and close to 5000 new employees have been hired based on the staff plan.

In contrast to the above part when it comes to specifying weakness areas issues start with lack of synergy and integration to bring unified solution due to difference in business volume and strategic precedence. The problem also branches out in to Poor knowledge transfer and limited level of engagement in finance, HR and distribution to some extent. All of the managers interviewed explain unsatisfactory performance in capacity building to be a major shortcoming .with the exception of one manager who also considers internal problems of luck of readiness to acquire knowledge and skill, the remaining blames the outsourced management for overlooking on the job as well as off the job arrangements to bring sustainable development. On few accounts short term workshops were conducted but their duration was too inadequate to effect tangible changes and most of the time they were just exhibitions motivated for mere portrayal of documents.

Following the completion of management contract there is quite different observation among managers on how they are unfolding post transition state of affairs. Some of them, close to 53%, prefer to show the relative progress between process divisions. In this case ICT department is appreciated to have maintained equivalent pace to outsourcing period with continuation of much expected ERP project which is currently 17% completed. Distribution side of the retail business and process excellence categories are also positively raised for extending good procedural setup. To the other extent apart from a manager who remains indecisive insisting that it is too early to articulate how the company is doing by now, there is another cluster of senior officers with the ratio of 40% arguing organizational retraction to previous mode of operation due to extensive centralization and impractically customized structural boundaries forcing reappearance of pre outsourcing procedural approaches of the old system. This group of managers reason out inadequate contractual time duration and absence of competent supervisory body to monitor outsourcing performance. As per the explanations provided overall outsourcing of the top management of a company is a massive decision which obliges a due attentiveness in steering of contractual lifecycle. Arranging a list of practically quantifiable performance targets and monitoring them recursively starting from project conception and selection of a competent service provider through commencement up to implementation is substantially important to have realized effective attainment of bilateral plans according to premeditated outsourcing objectives. The then contract administration office however was more attentive to reform management and inadequately staffed to exhaustively assess contractual deliverables.

The managers have common view on customer satisfaction and quality of service delivery confessing that the management outsourcing does not contribute expected level of improvement. Introduction of emergency call center being one big achievement, there is still a rise in complaint as 80% of them have elaborated during the interview. Absence of integration between front office customer service center and back office operation and maintenance crew is the main gap counteracting endeavors to bring a marketing system that delivers superior value and earns customer equity in return. Generally speaking the majority prefers to value internal (inside the company) improvements relative to external effect of management outsourcing which they choose to measure undersupplied with weak magnitude to bring visible impact. The same goes to financial and economic performance indicators, most of the managers have assessed the PGCIledcontractual consortium for investing more attention on cost minimization at the expense of contemplating any different technical solution such as stable alternative with reduction of loss which will maximize corporate sales revenue. They were only dedicated to keep financial KPI‘s put by BAIN & CO consultants through steady augmentation of operational efficiency in view of the fact that it was inherited by the contract as a major performance quantifier. Besides 33% of them raise signs of report oriented approach capitalizing on misguiding profit calculations which is mostly overlooking arrears and uncollected bills.

Taking infrastructural reform, most managers argue it is inappropriate trying to evaluate outsourced management in this regard because of contractual and scope constraint delimiting them only towards operational management. One manager also explains some inventive schematics developed by the Indian management to improve power reliability based on n-1 concept that increase availability of spare part equipment. In the contractual period it was possible to generate Concrete study documents and concept ideas that identify main problems in distribution but financial, hardware and approval issues were constraints not to deploy, the manager added.

4.3. Discussion of Research findings

The research analysis leads to the revelation of important findings analogous to test variables being compared in parity with management contract as a defining variable. Derived from what have been examined it was concrete enough to label dependent variables in accordance to their affinity to success and failure due to the direct influence of a decision to outsource corporate management.

To begin with company's positioning , image and employees corporate citizenship pursuing comparable trail to how data had been brought in concert, the outcome of the research confirms that no significant contribution were introduced by Indian management to bring well differentiated corporate brand. Much less for distinction with other developmental enterprises, 30% of the respondents decline presence of perceivable image difference among EEU, EEP and the former EEPCO for that matter. More than twice the size of this group has also disagreed to affirmatively assess perceivable changes in company image and positioning as well. With regard to employee's sense of belongingness indicators imply no alterations introduced subsequent to the new management. Close to 55.7% of the survey result arrives at a neutral stance with respect to employee's professional pride and assumption about how the company is contributing to their future career development.

In relation to employees the research result also shows considerable improvement on financial factor as a motivating tool which among other features affirmatively appraises management's performance to change the internal environment more significantly than the outside one edging into the customer side. Nearly 75% of the survey results which is prevalence fraction of the target population agree that company's pay system is outstandingly transformed during the outsourcing period. Excellent job evaluation results in very different grading mechanism labeling processes equitably to their importance and contribution to utility's core performance quarters. When it comes to intrinsic motivators such as achievement and recognition however, majority of the reflection (64.3%) obtained from staff's response turns up to disagree with the presumed prospect, informing no sign of significant encouragement corresponding to this attribute. pertaining to employee advancement cumulative information attained through interview depicts strong consent amid executives that the foundation for merit based staff promotion and development was firmly established. Though there is slight fear that superficial adherences of policy only for procedural fulfillment might jeopardize this achievement, 85% of top management decides to positively evaluate PGCI's contribution in this aspect.

Successful Documentation and structuring deeds are other prominent deliverables the research discovers to further constitute the internal adjustment and organization improvement aspects. Interview results lead to explanation that the outsourced management was exceptional to generate unprecedented intensity of documentation which exceeds the combined level of production the former company had reached in the past 10-15 years. Most of senior managers almost close to 90% who were addressed through interview have evaluated the contractor to be excellent performer with this perspective. Besides all of them mentions documentation capability as one of the leading trait while ranking contractor's strength. Mass of staff's reply to the assessment instrument inquisitive about contractor's competence with respect to procedural, policy, performance indicator and associated matters also align with strong agreement to represent consensus level of 80%.

Moreover, the study further signifies that the outsourcing has effected better Structural improvement in to practice throughout the organization. Both questionnaire and interview output implies strong improvement with regard to functional articulation as well as inter process integration with an aggregate concurrence of 81.5%. On the basis of the research findings it is presumed that unless adverse dealings such as poor enforcement tendency corrupt it in the future, the pavement for structural fitness has been well thought out. Power Grid Corporation of India ltd. as a leading firm of the contractual consortium appears to provide a lot so as to enhance the way activities flow in accordance to sharply defined instructional framework which in turn reflects up on enriching height of process excellence.

In distribution there is prominent structural resolution in order to overcome quite prevalent bottlenecks in providing quick connections; differentiated management of retail and wire businesses, a best practice prevailing in the power industry world over. Regulators are asking vertically integrated utilities to split its distribution business and maintain separate accounts for expenses and revenue earned through wire business and retail business. Retail Electric Providers sell electricity to customer and provide functions such as customer service and billing, while the wire business targets operations and maintenance part of the distribution business. Doing so the company was successful to correct entrenched problems of cost of new connection estimate, overloaded network, unplanned expansions and non-availability of materials ;key obstructions refer to "last mile paradox" causing long pending customer queue demanding new connection.

However the above mentioned leaning to procedure and structure oriented approach was not free of fault. Numbers of indicators have frequently implied problems caused by rigid policy adherence, which does not leave an option to prioritize ad hoc incidences requiring special attention and highly centralized organization, creating tall structure that diminishes manager's authority to quickly pass independent decision without recurrently referring to superiors including the board. About 84% of respondents cite Human resources, Procurement and Vehicle management (pool system) being affected by binding policy concerns vesting precedence over uniformity at the expense of contextuality. In some divisions of wire and retail business there are several process groups performing similar tasks; in rivalry to the very rationally of taking advantage of specialty following the classifications work redundancy is occurring. Furthermore most of them are under staffed lacking adequate experts. In addition it was 86% of top managers agreement that their decision making power has been greatly hindered all through the outsourced period as a consequence of contractor's centralized system of governance. To support this with simple illustration it is important to refer to the fact that each region had to send employee's data to the head quarter In order to run any activity as simple us updating suppress records which could have been handled with easy retrieve and click there in the very location. Misalignment of structures to the context of company's general situation is another issue described by managers as a treat to aggravated organizational inertia pulling back the company in to previous way of doing. Comparable proportion of survey result shows in some divisions like that of the retail business there is a structural gap that should have been addressed with proper customization of procedures to fit those principal factors peculiar to the company.

IT enablement and technology transfer deals were among the prominent agreement areas where much was expected to be achieved. Conversely findings are manifesting low correlation in this regard. Greater part of the respondents (60.4%) declines to have witnessed any different technology intensive operational arena, out of which in close proximity to 14% strongly disagrees to the inquisition held with regard to IT enrichment and developing employee's technological skill. Although not strictly followed for several reasons, initially there was promising initiative to exercise series of online tools particularly to empower communication with the help of Microsoft outlook as a standard office application and to automate technical support desk with the deployment of in-house developed web based application. As the contractual duration keep elapsing though what was achieved technologically disclose to be no better from previous days. While discussing with managers it is easy to deduce that they are yet to be equipped with the required decision support systems to facilitate accurate decision making environment. There is also lack of intelligent MIS dashboard to automatically sustain monitoring and control functions which ascertain effective implementation of plans. However most managers around 83% hope that the already launched enterprise resource planning project which by the way was unarguably huge success for the contractor will have definitely resolve existing discrepancies by the time it reaches completion. Contractors support to negotiate and bargain with foreign clients and their capacity to challenge competing ERP suppliers expertise-wise has been greatly credited. It is shared consent by scores of the respondents that the project would have not been realized if it was not for dynamic effort put by the PGCI management.

Consistent with the survey result attention bestowed on capacity building was evaluated to be poor with 58.5% disagreeing to assessment intended to see if there was better approach towards knowledge management compared to the previous management whilst the remaining population maintained neutrality towards it. Most of employees do not think they have acquired as much expertise as necessary from Indian management. They also express that there was no a premeditated knowledge transfer channel to acquaint them with contemporary developments. Some even describe PGCI's method of working often seems more of investigatory than administration restraining employees involvement only to input deliverance whereas the remaining process remain concealed with little disclosure. This case, how the majorities have envisioned it with wider consent, creates too much divergence to fully comprehend the entire intention.

Unlike the internal improvements that are relatively appraised as success the impact of management contract on the service related external environment happens to be slighter than what was projected. To satisfy consumer needs and to become customer centric organization, focus on reliable and quality power supply, improved service delivery and better collaboration with citizens is quite important; however the research indicates indifference with the previous company performance. Beyond 85% of findings oppose to the assumption held regarding power reliability and immediate continuance to electricity interruption. In order to provide world class customer service to all target markets including the differentially lucrative premium and high value segment as well as moderately profitable mid value strata and need driven negative profitability cluster of the mass market; this would require taking initiatives to improve customer experience in every stage of its association with EEU starting from new connection application to complaint resolution to providing value added services. Respondents replay has implied 52.6% disapproval indicating slow-moving progress. Reviewed company report and gap analysis updates also support the fact that service delivery and customer management targets were under performed with only 15.5% execution of new connection to 411646 new customers far from the aspired 2.66 million, entails much should have been done to liquidate new connection pendency. The definition of main general drivers for the new company has also stated intentions to increase number of customer from 1.9 to 4 million, however recent CMS figures indicate only 2.5 million Customers are reached. In a motive to bring an increase in the distribution network from 126000-282000 KM as it is dictated in the final organizational sizing blue book, total Distribution network across the length and breadth of the nation is currently more than 189 thousand kilometers. About power reliability despite purported efforts in distribution network expansion as well as reduction in interruptions by upgrading of transformers across various regions and by maintenance of high-interruption feeders customers are still complaining about repeated power failure.

Although not significant, Results from a high-level financial analysis shows improvement in company's fiscal performance profit and revenue being measurement parameters. Still, there is no convincing evidence to map the achievement with direct contribution of the management contract. Considering the conservative working capital policy of Indian contractor increase in profit does not necessarily means rise in sales revenue. Being sole provider of electricity in the monopolistic local market it appears natural to score enduring profit even with out differentiated service quality. The important question is whether there was a special consideration to deploy marketing strategy planned to bring significant change in company's income, most managers provide answer which only capitalizes on vigorous pursuit of cost reduction and tight overhead control approach being contractor's prominent maneuver to maintain positive statements through efficiency model. Company's performance report for the year 2014 for instance portrayed 18% reduction in investment and 12% combined deferrals of purchase and payment along with 100% efficiency in overall cost reduction. In this very report it is however very important to endorse Indians practice to Change Company's collection capacity which has always been main issue for arrears and overdue bills. With 116% excellence to reduce collection period it was possible to secure revenue of 4,597,120,170 billion birr counting energy exported to east African grid which is 99.06% of revenue billed.

Table 4.6: EEU's financial use for the outsourced fiscal years; expenses plan and execution

#	KPI	Unit	2013/14 Planed	2013/14 Executed	Performance (%)	2014/15 Planed	2014/15 Executed	Performance (%)
1	Payment(Cash dispersment)	No.	10860	10534	97	2715	2634	97
2	Encoding financial files to AGRESSO financial	No.	249367	239392	96	62342	59848	96
3	Procurement	No.	324	294.71	91			
4	Cost reduction	%	10	10	100	10	7	70
5	Internal control/Audit	No.	112	87	78	28	22	78
6	Investment	Birr	28418983	23428688	82			
7	Recurrent budget	Birr	854569659	648905285	76	18905068917	4366707219	23
8	Reduce collection time	%	31	36	116	31	30	97
9	Compare income with expence	%	72	0.72	100	75	72	96

Source: corporate financial reporting

Up on the retrievals of fore tabulated accounting figures as long as measures put in correspondence to financial control and monitoring aspects the contractual performance shows very good progression with almost every , sphere of expense planning and execution. According to the financial data analysis in table 4.8, however there are less financial signatures for significant improvement in revenue though maintenance of positive value was continuously attained. Here, some managers argue that this seemingly insignificant increment in revenue is due to an increase in investment which they prefer to state as one of the hidden factor artificially diminishing statements which would have appeared otherwise had not been for huge investments especially in power generation. On the contrary others have built a diverging pole containing majorities stand to criticize PGCI's economic approach which they have expressed it as conservative and mechanical for being less proficient to transform companies sales revenue. And they also add it was only aiming at adherence of contractual expectations.

Table 4.7: EEU's profit and loss account

		2010	2011	2012	2013	2014
	Notes					
Revenu	3	1790176676	2234294699	3083457434	3933759848	1057479244
cost of distribution	4	-2183874579	1125504219	961583662	1701403979	339759042
Gross profit		-323697903	1108700480	2121873772	2232355869	717720202
Other income	5	92407039	308569093	372431269	356775796	141702124
		301290884	1417267573	2494305041	2589131666	859428326
Operating expence						
Marketing & Sales	6(a)	437235703	652573708	835601869	967072387	554943830
Administrative	6(b)	84084459	112912482	107983931	107003326	191442474
Financial charges	23	65613899	97807673			
Borrowing cost	8			385536780	708475522	
commission for unified billing					2498950	5349770
Audit fee		396500	510000	585245	625000	27500
Board fee		86600	102275	141533	104512	42487
Amortization of diferred charges	4(2)	18679385	15809883			
Provision for stock obsolence	1b(iii),6(b)	35044616				
Provision for doubtful dept	1b(v),7(b)	16492049				
loss on forign exchange		181720140	528642509	-85718135	28165816	20645162
				1244131223	1813945513	772396223
Profit for the period		1140644215	1408358532	1250173818	775186153	87032103

Source: corporate finance

Note: Figures for the FY 2013-14 are subjected to audit and these are only provisional. Figures for the period 09 Dec-07 July are still being reconciled and may vary.

Regarding the overall management outsourcing circumstances most respondents share the idea that the anticipated strategic realization was not fully attainted. In the beginning most respondents, around 58.9% have expected fair improvement and radical shift in company's performance to the end however indicators describe contracted fulfillment desired objectives. In the aftermath of contractual completion 71.4% of survey reflects that employees are not sure if the company is maintaining the same progress pace compared to contractual duration. The majority believes company situation is not as good as before once the management contract was completed. Interviewed managers also discuss some restrictions that in the future might pull the company back to the previous condition for two broad reasons; tendency to resist change due to internal problem of low readiness as the main variable and poorly customized structural and policy issues making it intricate to bring strict adherence. They have also recommended in similar contract arrangement companies ought to pay sufficient concentration to the closure phase which in most cases get neglected as compared to earlier stages. Service level agreement and milestones have to be adequately examined to ensure main issues are in order. Effective transition management and articulated succession plan are also crucial instruments that must be righteously administered to ascertain continuity of already attained outsourcing deliverables.

Chapter Five
Conclusion and Recommendation

5.1. Conclusion

The main objective of this survey was to describe the perceived impact of management contract in the process of corporate strategic attainment. Capacity development, customer centricity, sustainable corporate growth, process excellence and IT enablement; being primary pivots of the research the following conclusions are drawn based on what has been identified for each strategic pillar.

Generally describing the combined analysis output implies no inverse association among the management outsourcing and any of the dependent variables under investigation but none the less for that the research also represents unsatisfactory achievement for most of the performance attributes surveyed.

Compared to the remaining performance aspects process excellence has shown the most significant positive correlation with management contract. Both top management and staffs occupying different position have greatly acknowledged the outsourced management reacting more affirmatively than any of the remaining objective driven survey portions raised while collecting data. IT enablement is another strategic theme that along with process excellence sets one of the governing dimensions of EEU's business priorities. Here as it can be referred from what is being presented in chapter four findings depict indistinguishable operational state which still deploys Information systems identical to the former management. Though short term operational performance happens to be less significant to be perceived, most respondents especially interviewed executives approve promising ERP endeavor which will certainly bring transformed MIS influence if successfully implemented. This outsourcing achievement to effectively commence the project however isn't without limitation; poor skill transfer and technological incompetency together with anticipated resistance from other functional divisions are presumed weaknesses that might occur as restraining factors by the time the system turn operational.

Internal corporate growth is the other aspect; which next to the process excellence dimension was valued to have relatively better link with outsourced management. Here, despite arguments on conservative and report based economic model, financial sustenance both in terms of improved revenue and dispersion/pay structure was considered to be one of the contractual accomplishments. Moreover structural integration, documentation and advancement/placement functionalities of human resources (with some reservation) are also additional entities prized as part of the internal progress.

When it comes to customer centricity, service delivery is where underachievement is most denoted. Beginning from unchanged brand positioning and corporate image extended up to poor performance to bring optimal customer satisfaction, the research result shows undifferentiated class of achievement in contrast to earlier management.

Being assessed through improvements made on knowledge transfer and development programs, capacity building was described to have week correlation with management outsourcing. The research analysis indicated that activities undertaken to enhance employee's technical capability as well as managerial competence hadn't been different from the way previous management dealt with.

5.2. Recommendations

- A pronouncement to outsource a management should be governed by soundly organized separate entity with strict administrative focus on contractual course to appraise and control client's progress in alignment with corporate aspirations. According to the analysis made based up on data obtained through interview one main restraint with EEU's practice revealed to be difficulty to monitor the management consortium with properly established governing agent. There are several accounts to substantiate the enormity of this aspect for utmost reason that most outsourced firms have always been relying on the client's informational hollow space to entertain unjust lead specially in developing countries which unless firmly scrutinized with greater care winds up in diverted goals and unsatisfactory objective attainment as well. Thus while passing such a decision companies should either hire corresponding consultancy/supervisory firm or look for professionally fit man power from inside and setup appropriate contract management office which is robust enough to trial every aspect of client's activity.

- While companies plan to commence a management contract they must emphasize on non- financial performance measures as a monitoring device to be enforced up on the outsourced firm. Fiscal statements are treacherously prone to artificial manipulation which could easily deceit successful execution. Rather than announce the company's exact position to grantors and the immediate directorial affiliate at large, contractors may be tempted to follow profit strategy; which is an attempt to synthetically sustain profits by means of deferring investment and short-term discretionary expenditures irrespective of significant change on company's revenue. Moreover, economic orientations leave a wide room for less loyal contractors to act myopically only running for surfaced adherence of agreed up on articles. In a worsening situation, it also allows them to blame performance problem on externalities such as inadequate time period and insufficient fund. Being critical to this extent when it comes to developmental enterprises its impact even goes beyond as profit is not the ultimate essence of their existence. Quality service delivery being in the heart, there are several strategic essentials which are not straightforwardly traceable to the balance sheet.

- Absence of consistent attention during the whole contractual lifecycle has been mentioned by majority of the respondents. What had been strictly managed during the inception and planning phase regarding contract design, bidding and vendors solicitation were witnessed went degrading at some stages in the afterward courses where vain proceedings are not viable to revive. For any company aspirant to achieve its goal effective implementation program is indispensably important no matter how other accomplishments are proven to have reached excellence. However, most of the time it is likely to observe gradual degradation of managerial concentration as the undertaking is approaching to the practical realization of its conception. Other firms contemplating to issue management contract in the near future should reflect on and make a note of this significant feature with greater concern

- In the preparation chapter contractual time dimension has to be seriously examined ahead of being placed on the conformity charter. Ranges of company oriented peculiarities should closely be studied alongside industry specific variables characterizing the broad-spectrum of situational boundaries demarcating firm’s agility. Otherwise unrealistic or ambitious contractual time frame, specifically a deficit one considerably impacts both performance effectiveness and evaluative precision. In addition pertaining to abstract deliverables such as knowledge transfer emphasize should focus on exploring if the foundation has been built to instill organizational culture of knowledge management, transfer and continual learning. Fully Focusing on contractor’s attitude and willingness to instruct seems impractical and will definitely leads to biased appraisal as knowledge transfer also depends on employees readiness, concept complexity and time constraint among other factor. The same applies to what the research has showed regarding technology and IT enrichment. In this case the findings revealed two faced analysis. Most respondents addressing the questionnaire conclude negatively to IT improvements. However deciding to negatively evaluate contractors might be severely prejudiced since their endeavor to affect ERP project will certainly endowed the company with strong MIS foundation that would transform the whole system aspects if it turns out to be successful.

- similar to other change and improvement initiatives the management contract has sought after a scheme to capitalize on information systems meant for rethinking the nature of the business and the organization to bring far reaching advancement .IT enablement was also among EEU's strategic priorities which have vividly been articulated in the agreement document. Nevertheless, the research has identified unsatisfactory achievement apart from outstanding effort to launch enterprise resource planning (ERP) project and customer support call center. Hence it is recommendable to concurrently make sure whether strategic role for information system has been properly scrutinized. Prior to contractual closure companies should weigh up if they have already been endowed with strategic information base to; improve business intelligence, innovation and efficiency, locking in customers and partners, enhance organizational collaboration, raise quality of service delivery and augment decision support systems above all. Righteously installed, technological infrastructure beyond everything enables almost every forms of structural and organizational adjustment to the edge of business paradigm shift; which is the ultimate ambition of many corporations.

- Agreed on the complex nature of the utility specific industry unlike commercial businesses such as banking or beer industries where no more than a revolutionized marketing system would simply bring huge corporate transformation, nonprofit oriented developmental enterprise based management contracts must be accompanied by corresponding engineering project exclusively dedicated to rehabilitate the entire infrastructural tunnel of service delivery for advisable duration lasting 3-5 years of technological outsourcing on BOT(build, operate and transfer) mode. Implementing this model will certainly outplay non-human/managerial difficulties of power reliability by developing technical competence to steer clear of severe interruptions of service.

5.3. Areas of further study

In view of the fact that management contract is a trending concept, it is very presumable that other companies will probably pursue to engage in similar commission. Consequently it is vastly gainful to investigate more and shore up other firms to entertain rewarding outsourcing implementation through profound analysis of retrospectives.

On the basis of the aforementioned rationally the subsequent research concepts are suggested to be addressed in the future:

- Assessment of compulsory circumstances ruling management contract as necessity for corporate advancement
- Sectors for successful management contract in Ethiopia
- Comparison of Management contract in adjacent to other forms of partial outsourcing in the context of Ethiopian business setting.
- Characterization of case companies in the aftermath of contractual closure.
- Service and customer related Effects of management contract in Ethiopian developmental enterprises

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APPENDIXS

Appendix A

Survey Questionnaire

The purpose of this questionnaire is to conduct a preliminary assessment of the effect of management contract in EEU's business performance. Any information acquired through this instrument will be kept confidential and it is purely for academic purpose. Therefore, I kindly request your timely and honest responses.

I. DEMOGRAPHIC INFORMATION

How long have you been working in EEU: ________ years

In which Department/process group ____

Educational qualification ____

Which organizational executive you are currently positioned at:

Worker W ( ) supervisor S1 ( ) E1 ( ) E2 ( ) E3 ( ) E4 ( ) E5 ( ) $\geq$ E6 ( )

II. SPECIFIC INFORMATION

- What was your prospect concerning the impact of EEU's management contract on its future performance?

A. Radical change B. Fair improvement C. Same state D. Complexity E. Crisis situation

No.	Items	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	In contrast to preceding leadership it is feasible to appreciate PGCI's way of management as evidently enhanced and well differentiated.					
2	Do you feel proud to identify your self as EEU's employee?					
3	Do you think EEU has a highly regarded, appealing and well positioned corporate brand?					
4	Do you think that the company is contributing to your future career development?					
5	There is significantly observable difference between EEU and EEP					
6	Do you have a clear know how about your functional boundary along with involved areas in the organization?					
7	Every process groups under each categories are strictly examined against the assigned KPI parameters for each procedures					
8	There is organizational culture/tendency to incorporate suggestions for further improvement					

	The management contractor (Power Grid Corporation of India ltd.) has revolutionized EEU in terms of:					
9	Information systems enablement and IT enrichment					
10	Enhancing employees technological skill					
11	Effective implementation of plans					
12	Attention to Intrinsic motivators (achievement, advancement, recognition…)					
13	Financial motivators					
14	Ergonomic consideration ,safety and work environment					
15	Knowledge management, transfer and development					
16	employees participation, delegation, empowerment and involvement					

17	Employee-manager relationship					
18	EEU's service delivery was altered following the management contract					
19	Customer relationship management has been transformed					
20	Manage to reduce compliant and dissatisfaction					
21	The rate New connection has been greatly improved					
22	Power reliability was significantly ensured					
23	Emergency support and quick maintenance of electricity infrastructure					
24	The aspired performance improvement was achieved					

- What do you feel about the overall company situation after the management contract has been completed?

  A. Perform even better with organizational learning   B. Maintain the same pace

  C. Hard to tell   D. Go back to the previous condition   E. Not as good as before

- If you have any further observation or remark to mention on the outsourcing of EEU's management

  ………………………………………………………………………………………………
  ………………………………………………………………………………………………

Appendix B

Management Interview (some questions has been specifically modified in accordance to respondent's functional jurisdiction)

1. How long have you been working in the company
2. What was your position before the management outsourcing?
3. Did you observe any significant change in the way you pass decision and execute activities as a result of the new management?
4. What was your assumption about the management outsourcing? Do you think it was necessary?9here relate it to infrastructural reform projects instead)
5. What was your assumption about contractual success?
6. What strong sides you observe. If you were asked to rank their strength what part you appraise most
7. Can you mention specific organizational areas in which they fail to succeed? Out of those where do you think they had faced severe difficulty?
8. Do you believe they have instilled new philosophy that revolutionizes the way the company runs in the future?
9. How do you evaluate their performance in alignment with company's strategic priorities?
10. How do you measure their performance separately from adoption of APQC framework and organizational disintegration?
11. What do you perceive after they had left? Are you sure that things will never get back to previous situation.
12. Do you see any initiative to properly support decision and to effectively monitor the implementation of plans at all range with the help BIS tools?
13. How do you analyze customer management and service quality during the contractual period?
14. How do you asses company's financial performance and economic stature?

15. Is there any contribution towards infrastructural reform (distribution and transmission?)
16. How do you describe the way it contributes to enhance employee's capability, work culture, motivation and satisfaction?

17. What challenges you have come across working with PGCI’s management
18. How do you asses the concluding succession phase
19. Do you have any other points which you believe to be worthy to mention concerning the management contract?