ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESMENT OF THE NON- FINANCIAL PERFORMANCE OF KALITI METAL PRODUCTS FACTORY

BEFORE AND AFTER PRIVATIZATION

BY

YEABNEH GEDAMU ABEBE

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DECLARATION

I, Yabneh Gedamu, declare this thesis is my original work prepared under guidance of Maru Shete(PhD). All source materials utilized for this thesis exertion have been duly recognized. I similarly confirm that this thesis hasn't be given either partially or entirely to any other learning institutions for obtaining any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Abstract

Privatization has been picking up momentum in recent decades, making it a fairly new trend in the area of economic policy. The modern idea of privatization as an economic policy was pursued for the first time by the Federal Republic of Germany in 1957. when the government eventually sold majority stake of Volkswagen to private investors (Filipovic, 2005). Privatization in Ethiopia started in 1991 as an integral part of structural adjustment program. gone are the days when a new wind is blowing to boost the nation's economy. The wind in question is that of privatization. Indulging in this exercise for the past twenty-three years it is expected that Ethiopia rips some of the benefits privatization is expected to yield. Therefore, this study was designed to assess the performance of (before-after) KALITI METAL PRODUCTS FACTORY was acquired by Tsehay Industry Share Company from privatization and Public Enterprises supervising Agency (PPESA) since July 12, 2012 with a payment of 550,550,000.27 Birr. In order to know whether the economic reasons the government expected before embarking on privatization has significantly succeeded after privatization or failed. A number of non-financial. indicators like product quality, customer satisfaction, sales growth and employee efficiency were used to measure the non-financial performance of the factory. The data was analyzed using non-parametric test, namely Wilcoxon matched-paired test to test for the significance of the difference between pre and post privatization. There is a significant difference in the non-financial Performance indicators between the pre- and post-privatization periods. The findings revealed that privatization had positive effect on the company in non-financial performance. It led to the company's product quality improvement, increment in customer satisfaction, yearly production and sales growth, and also employee efficiency.

Key word: Privatization, non-financial performance, product quality, customer satisfaction, Sales growth and employee efficiency

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ACRONYMS

Birr	Ethiopian Currency
KMPF	Kaliti Metal Product Factory
PPESA	Privatization and Public Enterprises Supervising Agency
IMF	International Monetary Fund
S.C	Share Company
SOEs	State owned Enterprises
Ton	Production Measurement
UNDP	United Nation Development Program
UK	United Kingdom

CHAPTER ONE

INTRODUCTION

1.1.Background of the Study

Since its introduction by the Federal Republic of Germany, when the government eventually sold majority stake of Volkswagen to private investors (Filipovic, 2005). In the early 1957 to then skeptical public, privatization now appears to be accepted as a legitimate-often a core- tool of state craft by governments to reduce public expenditures attached to the keep up of state owned enterprises in most of the countries of the world. The concept of privatization can have various meanings (Starr,1988), but if applied to developing countries the word "privatization" generally implies a shift of ownership from the state to the private sector. With regard to privatization, Megginson. (2001) stated privatization as deliberate sale by a government of State Owned Enterprises(SOEs) to private economic company.

In Getnet Almaw (2010) stated in his research paper about privatization and firm performance cited Empirical research Megginson, Nash, and Randenborgh (1994) study 61 privatized firms from 18 countries and 32 industries over the period 1961-1990. And D'Souza and Megginson (1999) confirmed these results in an updated study period of 1990-1996 for 85 privatized firms in 28 industrialized countries. Boubakri and Cosset (1999) find similar results in tests on 79 privatized firms in 21 developing countries for the period 1980-1992. In fact, the 15 privatization studies reviewed by Megginson and Netter (2001) show that firms typically perform better after privatization. All of these Empirical research has shown State Owned Enterprises (SOEs) as relatively inefficient and often a drain on public treasury, which has promoted the concept of privatization, in which the economy is placed in the hands of private sector operators who have been known for their efficiency and competitive spirit, to evolve and be globally embraced. Privatization is an umbrella term to describe a variety of policies, which encourage competition and emphasize the role of market forces in place of statutory restrictions and monopoly powers. (Mohammed, 2004).

Alemayew (2015) stated in his research Boubakri and Cosset (1998) in their study on privatization argued that public sector institutions have not been run efficiently due to incompetence and it also cost the government so much to sustain those state-owned enterprises. They reviewed the before and after performance of 79 privatized firms in 21 developing countries mostly middle income countries and conclude that on average the firms indicated significant increases in profitability, operating efficiency, capital investment spending, output and employment and a decline in leverage and an increase in dividend. (Boubakri and Cosset 1998)

Ethiopia, as a former socialist country, had hundreds of SOEs, nationalized in 1974. These mixed bag of businesses include factories that were set up by their owners in the fifties, sixties and early seventies. There were also other service sector businesses (banks, insurances, hotels etc.,) that haven't escaped the nationalization drive of the then reigning government. Privatization in Ethiopia started in 1991 as an integral part of structural adjustment program. Prior to this period, the Ethiopian government has participated actively in enterprises and this trend continued until 1991 when privatization program was officially launched. It was envisaged that privatization would improve operational efficiency of inefficient state owned enterprises (SOEs), reduce government expenditure and state role, increase investment and employment as well as ensure job security in the country. It is further used as a policy mechanism to encourage the private sector to make the private sector the engine of growth in the Ethiopian economy.

The ultimate aim is, among others, to improve efficiency of SOEs. Acting on this belief, so far, more than three hundred SOEs have been privatized in different privatization modalities. From the privatized SOEs' the government earned 1billion dollar (Privatization and Public Enterprises Supervision Agency NEWS: June 2014). But a success of a privatization policy is not measured by the revenue it generated alone or on ideological principles of government, but based on establishment of longer term improvements that are likely to lead increased productivity and competitiveness.

For this research report's purpose, attempt has been made to examine the significant improvement of privatization by measuring and making comparative assessment of pre- and post-privatization of non-financial performance of KALITI PRODUCTS FACTORY.

Merchant and Van der Stede (2006) identified the following indicators for non-financial measures: market share, sales and productiongrowth, inventory turnover and customer satisfaction. In other literatures, company performance can be measured using non-financial Indicators. A reconciliation of the literature showed that there are four non-financial indicators that can be used as a performance measurement for companies: customer satisfaction, product or service quality, market shares and employee efficiency (Zaman 2004; Fitzgerald, L, Johnston, R, Brignall, S, Silvestro, R and Voss, C 1991; Haskett, AJ, Dixon, JR and Vollmann, TE 1994; Cho and Pucik 2005). These four non-financial performance indicators are identified from the literature.

KALITI METAL PRODUCTS FACTORY is one of the metal industry in the country that manufactures range of products. The factory was acquired by Tsehay industry share company from privatization and public enterprises supervising agency (PPSA) since July 12, 2012. It is now working with a total capital of more than birr 700million and with a workforce of 408 workers which is comprised of 348 males and 60 females. After privatization the factory expanded its local market to five centers. And has increased output products including trailers and cargo truck bodies, garbage tankers, galvanized and pre coated EGA sheets for roofing and wall cladding and many more. (KMPF website, June 20,2017. 11:26PM).

The comparative assessment is made taking into account the data before and after privatization. The data set for this study is obtained from Kaliti Metal Product Factory and has at least 5 years (pre-privatization) and 5 years' post-privatization, a total of 120 observations with 60 observations for pre-privatization and 60 observations for post-privatization of the case enterprise. A Comparatively assessment of their respective performance is hoped to give the effects of privatization on one its absence on the other to the exclusion of other variables.

KALITI METAL PRODUCTS FACTORY is one of the largest manufacturing industries in Ethiopia and plays a significant role in the socioeconomic development of the country. Currently, the Share Company is one of the leading metal processing factories and a catalyst for the country's economic development including construction, job creation and tax revenue. It is working hard to strategically become competitive and taking a lion's share of the market opportunities in the emerging economy of Ethiopia. Currently, new products are being produced in the factory, and are not assessed by other non-financial performance indicators and techniques for instance business.

As most countries of the world and as a former socialist country the Ethiopian government used to directly own and run hundreds of SOEs. Among them, more than 303 subsidiaries and principal SOEs have been privatized and generated one billion dollars as revenue and a further few are still slotted for sale. However, the government has made no secret of its desire not to privatize the remaining public enterprises. The reason given by the state for this is their strategic importance for the economy. These enterprises are the likes of power generation, telecommunication, water and air transport, agricultural research and development. As this paper is pointed out above, the SOEs of Ethiopia are the twin byproducts the nationalization policy of the then communist government of Ethiopia, which came into power following the 1974 revolution, and the industries that were set up by that same state in the years 1974-1991, with this view to address some of the country's strategic economic problem. Public enterprises were at the height of their respectability in the seventies and early eighties. As stated above, despite the waning of support from intellectuals and governments economic policy setters for public enterprises as a dependable economic actor to the health and growth of the economy, in Ethiopia’s context, they have relevance and remained crucial for the political-economy of the country even now (PPESA NEWS: June 2006).

The private sector in Ethiopia was almost banned for seventeen years (from 1974-1991). This was a period of socialism and the government believed that the private entrepreneur was the enemy of the general public because it seemed to exploit the society through its profit motive. The wellbeing of the society is not its agenda. Therefore, it was declared that the government was to keep it as low key as possible. With this goal in sight the socialist government acted on its beliefs and nationalized all factories, manufacturing plants, land that pass by the general name of means of production. Not even services were spared. Urban land houses that used to be rented (fittingly named extra houses-extra in the sense more than the one house the land lord live in-) has been confiscated. The next measure put in place to curb the rise of the private entrepreneur was capping the capital ceiling for private investors and raising the profit tax level as high as 85%. The aim was by discouraging private sector, to supply all goods and services by the state. This situation made the private sector more than weak (PPESA NEWS: June 2006).

When the current government took power in 1991, one of the pressing matters that got its attention was the state of the economy in general in the private sector in particular. Contrary to the previous government, this new government decided to encourage private sector by any means. One of the devices employed to encourage the private sector to reengage in reshaping the economy was the floating of the idea of the privatization of formerly state owned assets and properties. To improve SOEs efficiency and to change their role in the economy, the first step taken by the new government was to establish a body consisting of high level officials and experts to make a detail study about the existing situation of SOEs and come up with recommendation for the future governance of them. The bodies study classified the properties that came under its surveillance into three groups. The first group was composed of those assets that were not considered as strategic for the country's economy and as a result could be directly and easily disposed off; the second group consists of those enterprises that were thought of as more strategic than the first group. These ones were recommended for partial privatization. In other words, these sorts of companies were open for a joint venture between the government and the private sector. The last group is designated as strategic enterprises and therefore is exclusively left to be the domain of the state, at least for the foreseeable future. According to the study, the rationale for this is, the fear that, if the third group of public enterprises are privatized and, for some reason, the private owners /operators fail to provide the intended products or services, not only that particular business but also the whole economy would suffer. Therefore, until such a time when private businesses have developed a capacity to manage such kind of enterprises and until the government gained better experience of managing bigger privatized enterprises, they would remain in the hands of the government (PPESA NEWS: June 2006).

The study team had forecasted that most of the enterprises eligible to privatization would be sold within few years, but this was not borne out by practice. Only small retail shops had got buyers whereas the rate of transfer of ownership for the rest of them much too slow. To speed up the privatization process, the government of Ethiopia took a series of measures such as amalgamating Privatization Agency and Public Enterprise Supervisory Authority (proclamation 412/2005), prolonging the payment period of purchased property (five years for local buyers and three years for foreigners), and different policy amendments have been made (2010-2015 PPESA: strategic plan 2009).

In Ethiopia, as long as the private sector lacks the required business management skill - which is, among others, a result of the seventeen years of misrule and mismanagement by the former socialist regime-to manage relatively large SOEs, the slow pace of privatization has not in fact been regretted by the government. In this regard, one of the basic assumptions in the Ethiopian privatization process is a simple ownership transfer does not guarantee the efficiency of SOEs; there are some less efficient private investors who lack the wherewithal to manage new privatized formerly public enterprises as, at least, as the government does. Besides taking care of SOEs transfer to private investors, until such time a seriously interested private sector partner comes up into the scene the state has tried to improve the management and capital aspects of the SOEs so that they would be in a position to appeal to buyers.

As mentioned earlier, government has got a billion of dollar from the disposal of the privatized enterprises. The money was used to meet some sorely needed social and economic problems.

In a different tack the remaining, yet to be privatized; SOEs are performing well in terms of profitability, employment generation, investment, better leadership, product diversity, etc. It is not always true that despite the unavoidability of red tape and inefficiency in the state sector, that SOEs are always loss makers. Nothing has disproved this than the success of some of the state owned public enterprises. Although most of privatized enterprises are running their business more profitable, there are privatized enterprises which make continuous loses, fire employees, generate less revenue than they used to generate when they were in the hands of the government.

1.2. Statement of the Problem

According to Megginson and Netter (2001), privately owned firms are generally more efficient than otherwise comparable SOEs. And another political economy journal authors say about privatization Ehrlich I., Gallais-Hamonno G., Liu Z., and Lutter, R(1994) suggests that private ownership leads to higher rates of productivity growth and declining costs in the long run. And also they advocate of privatization tend to argue that private ownership is more efficient than public one. Their arguments are based on the claims that the change in enterprise's ownership redefines the enterprise objectives and the manager's incentive to reduce cost and increase profit (Shirely and Nellis, 1991). And also as Eckel C. and Singal V. (1997), (Nellis, 1999), Megginson and Netter (2001), Uzochukwu S (2003) and also (Dzakpasu, 2000) all empirical studies show that ownership changes increase efficiency in competitive markets.

Regarding in the context of Ethiopia also similar papers done by Alemayehu (2015), Getnet (2010) and Surafel (2010) that conformed privatized company more efficient than government owned. But their study on performance of a company after privatization focused on operating performance and profitability. But, what the literature has not clarified is if there was any significant improvement on the non-financial performance of an enterprise after privatization. Also, there is lack of empirical study on this subject; hence it is a must to clarify non-financial criteria to measure performance. None of the above mentioned studies illustrates whether non-financial measures would be improved significantly after privatization of state owned enterprises empirically. The purpose of the present study is to empirically investigate the to know whether privatized enterprises have significantly improved on under discussed variables after privatization. In light of this, the paper aims to examine the non-financial performance changes in the case enterprise following privatization, and also indicates where thorough researches should be undertaken to identify the determinant factors and their changes.

1.3. General Objective

This study extensively asses the non-financial performances of privatized factory. And the significant difference of pre and post privatization on to achieve this objective, the study addresses the theoretical features by reviewing theories, methods, and experience of some developing and developed countries.

1.3.1. Specific Objectives

- To examine the case company's performance of non-financial indicators better after privatization
- To evaluate privatized firms are significantly different after privatized
- To provide information on the importance of non-financial performance indicators in privatized enterprises

1.3.2. Research Questions

The main research questions that the study answered are:

- Following privatization, are there any significant improvements in terms of product quality?
- Does the company register any diffidence in terms of customer satisfaction after privatization?
- Following privatization, are there any significant improvements in terms of sales and production growth?
- Was there any difference in the employees' efficiency of the company after privatization?

1.4. Scope and Limitation

The scope of this study is concentrated only to the analysis of the effect of privatization on performance of Kaliti Metal Product Factory. For the reasons indicated, it examines the impact of privatization on the non-financial performance indicators. The data set for this study is obtained from Kaliti Metal Product Factory and includes at least 5-year pre-privatization and 5 years' post-privatization.

The study is also delimited to Kaliti Metal Product Factory by far less than the ideal time required to investigate the post privatization performance of Kaliti Metal Product Factory. Major constraint for the researcher was the poor documentation in the concerned bodies particularly in the Ethiopian Privatization Agency and also empirical literatures were not available in the country on this specific subject for literature review. As stated before, all of the company' Marketing record data (product sales in volume), managerial documents in PPSA were not accessible. But the researcher could only access the company's five year sales in Birr. Because of lack of data the researcher did not find about the Market Share and Inventory turnover. Access to the internal data of the organization was not possible because the organization refused giving information about the internal operations in the name of privacy.

1.5. Significance of the Study

This study attempted comprehensively to evaluate the performance of the Kaliti Metal Product Factory after privatization. Ethiopian privatization program was in practice for the past sixteen years.Although relatively young because of DERG economical program compared to other developing nations,so far, many enterprises have been privatized.The reason behind privatization in the country is based on the experience of other countries positive result over privatization. In view of this fact this study informs policy makers and the public in large about the real picture of the Ethiopian Privatization by assessing the effect of privatization on the non-financial performance. The study also makes the concerned bodies alert about privatization and the researcher believes that this paper has vital advantage to policy makers. Furthermore, other interested researchers might take this study as a base for detailed and further studies. This study answers whether privatized firm’s performance is improved or not with concrete evidence taking Kaliti Metal Product Factory as a case study.

1.6. Organization of the Thesis

The paper is organized as follows; chapter two presents the overview of privatization, the theoretical and empirical review of literature. Issues dealt with in Chapter two include the theoretical background, the arguments for the decision of privatization and depicts the process of privatization in Ethiopia. Chapter three provides the methodology and describes the data used, followed by chapter four that deals with the empirical findings from the investigation made through analysis of the effects of privatization on enterprise performance. Finally, in chapter five a summary of findings and conclusions and recommendations are offered.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition and Concepts of Privatization

There appears to be no universally agreed definition among scholars regarding the conceptual meaning of privatization. In the most common concept, this term refers to all initiatives designed to increase the role of private entities for applying society resources to produce products and services by decreasing and restricting government or official's roles (Heydari, 2001). In Merriam-Webster Dictionary, the word "Privatization" is defined as "transforming something from state control or ownership to private ownership" (1983, 524).

Privatization is defined as the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents which is now in use worldwide especially to counter the challenge of poor performance in public enterprises (Araral,2008).

For the purpose of this thesis, privatization is defined as the sale of the whole part of the shares of a state-owned enterprise by the government to private investors to reduce government expenditure and improve the efficiency of those enterprises.

Jiahua (2007) on the other hand defined privatization as the process in which market mechanism and Adam Smith's theory, Invisible Hand, are again going strong, assessment of government's actions in criticized and thus public sector (government) decides to limit the range of its action and to transform "ownership or management" of some economic entities from state control or ownership to market mechanism. Perhaps, in a comprehensive sense, privatization can be defined as a kind of market-oriented process, moving toward adjusting the role of government and market in economic actions and obviating government monopoly, particularly or generally, over parts of national economy.

2.2 Historical Background of Privatization

Privatization has been picking up momentum in recent decades, making it a fairly new trend in the area of economic policy. The modern idea of privatization as an economic policy was pursued for the first time by the Federal Republic of Germany in 1957, when the government eventually sold majority stake of Volkswagen to private investors (Filipovic, 2005). The next big move in privatization came in the 1980s with Margaret Thatcher's privatization of Britain Telecom. Following the successful initial public offering in November 1984 privatization became established as a basic economic policy in the UK. The phenomenon spread to France when Chirac spearheaded privatization of large banks in France. It also spread to other continents as Japan and Mexico privatized government owned communication companies (Megginson, L. & Jeffry, M. (2001). Another major contribution to the world-wide process of privatization has been the fall of the communist regime in Eastern Europe and the former Soviet Union. In recent times, countries like China and Cuba, as well as many other developing countries have begun to implement privatization in the hope of stimulating economic growth (Bennett, J; Estrin, S & Giovanni U. (2007).

2.3. Motivation for Privatization

Before looking at the experiences of privatization in developing countries, it is helpful to review the various motivations for a privatization policy. Outcomes should be assessed in terms of the objectives of the exercise. Key objectives for privatization have included:

- The creation of market economy, notably in transition economies;
- Improving the efficiency of enterprises by increasing management autonomy and improving corporate governance;
- Allowing investment decisions to be subject to commercial factors and be financed by the private sector (Saul & Adeline, 2015).
- Reducing the budgetary cost of public enterprises in order to create fiscal space for social sector investments.

Also Nigerian researcher Odey (2012) stated that privatization is a strategy for reducing the size of government and transferring assets and service functions from public to private ownership and control. Thus, Privatization is based on four core beliefs:

1. Government is into more things than it should be. It is intruding into private enterprise and lives.

2. Government is unable to provide services effectively or efficiently

3. Public officials and public agencies are not adequately responsive to the public.

4. Government consumes too many resources and thereby threatens economic growth.

Another researcher Mr. Orji (2010) classified the reasons for privatization based on the following pointes;

(a) Economic Benefits

The economic argument for privatization, includes; reducing taxes by using the proceeds from sales; exposing activities to market forces and competition and reducing both government spending and the government's share of the economic activities. Stimulating competition is an attractive part of the privatization program. In theory, competition provides powerful incentives to both product and price efficiently. When faced with competition, public enterprises that do not operate in accordance with consumer demand, or who over price their products will lose customers. If competition is seen as desirable, the different instruments of privatization need to be compared. Competition could be introduced by selling or deregulating to allow the entry of competitors. According to Kay and Thompson (1986), selling assets only improves competition if an enterprise is already in a competitive environment. Converting a public monopoly to private ones does not improve competition and can have the additional effect of making future competitive changes more difficult to bring about. Kay and Thompson (1986) pointed out, that, the easiest way of introducing competition is to deregulate the industry, rather than sell assets, unless deregulation occurs at the same time as assets are sold.

(b) Managerial Efficiency

The efficiency argument for privatization claims that private management is inherently superior to public management. Management of private and public sector organizations do operate in quite different environments and often have quite different objectives (Millward and Parker, 1983). This implies that there are theoretical differences between the public and private sector organizations in the structure of incentives available to management, and because public enterprises operate in a political environment, management there may be said to be less straightforward. Public sector organizations in Nigeria have been characterized as having a “no-owner company” culture shaped by frequently rotated leadership, conflicting objectives, lack of individual accountability and emphasis on production, instead of having a customer orientation. Perhaps public service conditions are not conducive to excellence because public management is inherently inferior. The private sector is assumed to have a time-tested set of incentives and accountabilities in place, and as these are not present in the public sector, there must be inefficiency.

(c) Ideological Issues

Orji (2010) maintained that all ideological debate over privatization seems to have been won by those favoring privatization, judging by the policy outcome. However, it is not so much that the debate was won but that the counter debate was either not made or made weakly. In any case, pragmatic rather than ideological arguments seem to have held sway (Vickers and Yarrow 1988, Millard and Parker 1983). Even in Britain, where the ideological debate was supposed to be most fervent, the most cogent reason for the continuing privatization program was the pragmatic one of raising revenue rather than changing the shape of society. Looking it is clear that economic benefits would only be certain to arise from selling such enterprises in competitive environments. For the other kinds, notably utilities like railways and telecommunications, the economic benefits would be greatest by encouraging competition, through deregulation with change in ownership being less important. Vickers and Yarrow (1988), Cook and Uchida (2001) argue that the degree of product market competition and the effectiveness of regulatory policy have rather larger effects on performance than ownership per se. Even though, the benefits may not be large. There would seem to be little advantage in privatizing loss-making areas such as railways, although there may be some attraction in simply getting rid of these kinds of enterprise.

(d) Accountability Issues

Once any organization is in government hands, there must be questions about accountability especially in developing countries like Nigeria. In theory, all parts of government are accountable to the political leadership and finally to the people. According to Orji (2010), public enterprise inefficiency is not necessarily the result of ownership. Public enterprises are organization designed to be part of the government sector, but also to operate commercially. They operate commercially but have no shareholders, they are government–owned. They have their own management and boards of directors, but are also responsible to a minister. A public enterprise is often required to meet other objectives, rather than simply trying to maximize profit like a private company. This study agrees with the postulation of Zeckhauser and Horn (1989), that the theory of principal and agent suggests that accountability problems are inherently worse in the public sector and in public enterprise in particular. The relationship between principal and agents is that of stewardship. In stewardship, it is believed that a man be found faithful and accountable. This means that poor accountability is a justification for privatization in addition to the economic rationale set out earlier. Those who control the public enterprise pay less attention to the interests of their tax-payers, and groups with more concentrated interest such as suppliers, and employees can influence management to favor them over the taxpayers, and that can lead to total collapse of the company as did Eleme Petrochemical Company before privatization.

2.4. Privatization in Developing Countries

Developing countries particularly in Africa Privatization became a central element of economic reforms in most countries in Sub-Saharan Africa during the 1990s, putting increasing emphasis on private sector development (Buchs, 2003). The privatization policies, just like other countries in the world were aimed at enhancing the efficiency of resource allocation via increased competition, providing fiscal benefits to cash-strapped governments, attracting more private investment and improving the access of the private sector to finance in general (World Bank,2001). Moreover, privatization and liberalization of public services were the pillars of structural adjustment programs introduced in 1990s in Africa at the directive international bodies especially world bank and international Monetary Fund (Jerome,2008). As result in the decade 1991-2001, 2300 public enterprises in Africa had been privatized (Nelly, 2005). Privatization programs in sub-Saharan Africa occurred in successive waves, with some countries privatizing much earlier than others (Bennell, 1997).

According to Nellis the first group to start such programs, in the late 1970s to early 1980s, were francophone West African countries (Benin, Guinea, Niger, Senegal and Togo). However, their progress in privatization has been limited. The second group of countries to embark on privatization programs started in the late 1980s and is composed of Anglophone and Francophone countries (Ghana, Nigeria, Ivory Coast, Mali, Kenya, Malawi, Mozambique, Madagascar and Uganda). These programs were mostly the outcome of pressure from the international financial institutions to privatize (Nellis, 2008).

Study says the last group consist of “late starters” which did not start privatization programs until the early-mid 1990s. Among these countries Tanzania, Burkina Faso and Zambia have shown a strong political commitment to privatization, whereas in the other three countries (Cameroon, Ethiopia and Sierra Leone), only minimal progress had been made by late 1995. (Saul & Adeline P (2015).

2.5. Privatization in Ethiopia: An Overview

In Ethiopia, like in most other developing countries, entered on the road to liberalization and a market economy in the 1991, after EPRDF came to power; the privatization of state-owned enterprise has become an important element of the nationwide reform program. As a result, The Ethiopian Privatization Agency (EPA) was established in February of 1994 by Proclamations No. 87/1994 and 146/1998 to exercise this task. Since then, EPA has become the lead agency in carrying out the process of privatization of public enterprises. In addition to the powers and duties mentioned, EPA has the power to investigate and decide on claims of ownership in respect of property taken in violation of the relevant proclamations, in accordance with Proclamation No.110/1995 and its amendment proclamation No.193/2000. The Agency is accountable to the Ministry of Trade and Industry and administered by a Board of Directors and managed by a General Manager. The objectives of the Ethiopian Privatization Agency are: To generate revenue required for financing development activities undertaken by the Government; To change the role and participation of the Government in the economy to enable it to exert more effort on activities requiring its attention; and To promote the country's economic development through encouraging the expansion of the private sector.

According to Proclamation No. 146, issued in December 1998, EPA is mandated with clearly defined tasks and duties to:

- ❖ Implement the privatization program in accordance with the provisions of the proclamation;
- ❖ Determine the privatization sequence or define a plan for all enterprises included in the privatization program;
- ❖ Undertake the necessary preparatory work for the privatization of enterprises;
- ❖ Determine bid evaluation criteria for the selection of investors participating in privatization;
- ❖ Prepare the necessary documents to be used in the privatization process;
- ❖ Design ways and means of encouraging domestic investors to participate in the privatization of enterprises;
- ❖ Take the necessary measures to publicize the privatization program and its implementation;

Through post-privatization monitoring, ensure compliance of investors obligations, and undertake impact assessment of the privatization process in general and evaluating the financial performance in particular. Issue an order for the purpose of restraining the transfer, to third parties, of any property on which a restitution claim has been lodged, as well as the carrying out of any activity that may result in substantial alteration on such property until decision is made on the claim.

From 1974-1991 Ethiopia had a command economy which affected private investment inflow and private investors were considered those commit unfair practice of transaction and exploiter of the society at large.

To address this problem, the new government changed the economic policy of the country from command economy into free market economy. Thus, to bring back the private sector quickly to the business arena, privatization was chosen as one of economic reforms.

In the new economy policy, determine the role of the government and the private sector in the national economy becomes mandatory because it helps to speed up the economic growth of the nation as fast as possible; government has got enough time to focus on basic infrastructure development and strategic economic activities. Based on this belief, the Privatization program started in 1995 and PPESA is the responsible organization to fulfill its mandates of initiating and supervising Ethiopia’s privatization process. PPESA has been able to successfully privatize a lot of companies in the textile, leather, chemical, food processing, paper converting, mining, and agriculture and service sectors.

As the process of privatization began, most SOEs had been sold for those who offer better price, however, when it was seen that three enterprises bankrupt to liquidate after privatization, the privatization process and the requirement criteria of the bidders were amended (PPESA, 2005). Among the additional requirements, business plan (mandatory requirement) was also included to assure compliance of investors to their obligation and help to maintain a high level commitment at all levels after handover of the privatized enterprise.

2.6. Economic Theory on Private and public ownership: Incentives and Market Failures

2.6.1. Traditional Industrial Organization view on natural monopolies

In order to consider the experience of privatization, it is helpful to review the issues affecting the choice between retaining services in the public sector and moving them from the public sector to the private sector. There is a global consensus that countries require both a private sector and a public sector, implying that neither is universally more efficient, effective, or equitable for all goods and services. Traditional industrial organization theory argues in favor of public ownership or regulation in the case of market failures, notably natural monopolies. In sectors where economies of scale are very large, there is no place for more than one firm. This would be the case of water or electricity distribution, for example, which involves huge fixed costs in infrastructure. Nationalization of sectors operating under conditions of natural monopoly would allow government to impose pricing and production policies on firms, avoiding monopolistic profit maximization and increasing social welfare (Saul & Adeline P (2015).

2.6.2. The incentives argument

Vickers and Yarrow (1991) and Laffont and Tirole (1993) the incentives between privatized and non-privatized firms. There are two important arguments in favor of private ownership in Anglo-Saxon countries. The first one is that stock prices convey information about the level and quality of managerial investments. This information can be linked to managerial compensation, providing strong incentives to perform. This mechanism is however based on the underlying assumption that the market is efficient, with all relevant information about firms incorporated in the stock market prices. The second argument in favor of private ownership is that it introduces corporate take-over threats, especially for large corporations with numerous shareholders, which can discipline managers. These arguments can be generalized to other institutional contexts (Saul & Adeline P (2015).

La Porta and Lopez-de-Silanes (1999) found about fifty percent reduction employees, but a higher payment is made to those workers who remain. According to them, most of the performance improvement is due to productivity gains resulting from better incentives, with at most one-third of the improvement caused by lower employment costs. Ravi Ramamurti (1997) examines the 1990 restructuring and privatization of Ferrocarilla Argentinos, the Argentine national freight and passenger railways system. He found an astonishing 370 percent improvement in labor productivity and an equally striking (and not unrelated) 78.7 percent decline in employment –from 92,000 to 18,682 workers. Operating subsidies declined almost to zero, and consumers benefitted from expanded (and better quality) service and lower costs. Ramamurti concludes that these performance improvements could not have been achieved without privatization.

2.6.3. Private and Public sector failures

Private sector firms will tend to be more efficient in the production of goods and services if they operate in a competitive market. However, markets are rarely perfectly competitive and market failures are therefore typically possible and present to an extent in the private sector (Greenwald and Stiglitz, 1986). Market failures by themselves may not be a sufficient reason to bring an activity into the public sector. Some market failures can be addressed by public action such as an effective competition policy. Private sector operations are not isolated from the public sector, particularly in the case of public services – utilities, transport, health and education services, which require regulation and other forms of public intervention such as establishment of a policy environment, with certain legitimate social objectives (Saul & Adeline P (2015).

2.7. Empirical Evidence

The evidence presented by the empirical cross-sectional literature on whether privatized firms are more efficient is mixed. By using a survey of 452 Russian shops, Barberis, N., Boycko, M., Shleifer, A., Tsukanova, N, (1996) show that the existence of new owners and managers increases the chances of restructuring and renovation. Using data from U.K., Cragg and Dyck (1999) find that privatized firms with at least four years in the private sector, like established publicly traded firms, exhibit a significant negative relationship between improved performance and the probability of resignation whereas state owned firms show no such relationship. Contraryto these studies, using survey data from Ukraine, Estrin and Rosevear (1999) refute the hypothesis that private ownership each is associated with improved performance as they find the private ownership dummy to be insignificant in regressions explaining sales, employment or profits.

The "before-after" studies seem to find a more robust positive relationship between privatization and increased efficiency. Eckel C., Eckel D., and Singal V. (1997), find that stock prices of U.S. competitors and airfares in markets served by British Airways fell significantly upon privatization. Megginson, W., Nash, R. and Van Randenborgh, M. (1994) find that state owned firms' financial and operating performance increase moderately following privatization. La Porta and Lopes-De-Silanes (1997) find evidence of large increases in profitability of Mexican firms following privatization.

As well as the theoretic studies, many empirical studies also support privatization policy. Most empirical researches can be categorized in two groups: the first one compares the relative performances of private and public firms, while the second group compares the performance of the public firms before and after privatization. This study will focus to address the comparison of non-financial performance evaluation of public firms before and after privatization.

Using data from U.K., Cragg and Dyck (1999) find that privatized firms with at least four years in the private sector, like established publicly traded firms, exhibit a significant negative relationship between improved performance and the probability of resignation whereas state owned firms show no such relationship. Contrary to these studies, using survey data from Egypt (2002) found that privatized firms' performance measured to evaluate the performance of newly privatized Egyptian firms versus the performance of SOEs. The result shows significant improvements in profitability, efficiency, and dividends, and insignificant decreases in leverage, employment, and risk, whereas capital expenditure and output show insignificant decreases following privatization.

As also, Villalonga (2000) examines 24 Spanish firms from different industries and find that privatization does not increase efficiency–defined as rate of return on assets. He argues that political factors such as the business cycle during which the firm is privatized and foreign ownership are important determinants of firm efficiency.

According to Afeikhena (2008) one of the major problems of state-owned enterprises is the lack of proper economic incentives for the management and the fact that they are often charged with objectives like maximization of employment or providing goods or services at heavily subsidized prices so that the goal of profit maximization cannot be achieved. As a consequence, state-owned enterprises are often unprofitable. A change to a more private ownership structure leads to profit maximization, which becomes the dominant firm objective.

One study examined here are far less unanimous regarding the impact of privatization on employment levels in privatized firms. All governments fear that privatization will cause former SOEs to shed workers, and the key question in virtually every case is whether the divested firm's sales will increase enough after privatization to offset the dramatically higher levels of per-worker productivity (William, 2000). Several claims have been made that more recent evidence, which compares PEs performance before and after privatization, illustrate that there are considerable economic benefits from privatization efforts (Alfred 2015).

According to Adeline (2015) any productive activity requires effective corporate governance. Privatization in transition economies and emerging markets designed to improve efficiency has often led to corruption scandals, for example in Russia. However, corporate governance can also be extremely weak in the private sector, particularly when ownership is concentrated in the hands of the powerful, or so widely disbursed to the public that management retains effective autonomy. Thus, the choice of whether a certain activity is best delivered in the public sector will depend on the sectorial and institutional context. In either case, the quality of government policy and corporate governance will impact upon the extent to which objectives of efficiency, service delivery, and social and environmental policy are achieved (Saul & Adeline P (2015).

If privatization was sufficiently extensive and had efficiency-inducing effects, the contribution of improved performance could be detected at the macroeconomic level. Privatization would reduce crowding out and provide more credit to the private sector. It would increase the opportunities for investment in newly privatized enterprises by releasing them from the capital constraints previously faced under public ownership. A change in ownership would increase efficiency by introducing changes to the governance mechanisms and structure of incentives facing employees. (IMF in 2000 [Barnett, 2000]). Privatization has an impact on real GDP growth, unemployment, and investment. Empirical analysis from a study done on18-country strongly supported the hypothesis that privatization was positively correlated with real GDP growth. They found that privatization of a one per cent of GDP was associated with an increase in the real growth rate of 0.5 percent in period one and 0.4 percent in period two. These periods vary for each country to reflect periods of active privatization, but the precise span of years for the study is not specified. [Davis, Ossowski, Richardson and Barnett, 2000]

Vickers and Yarrow (1991), reviewing the literature concluded that, private enterprises were more efficient than SOEs in a competitive environment and that, competition may actually be a more important factor than ownership in determining performance. There is a broad consensus that privatized enterprises perform better than SOEs and they are more competitive when compared to previous conditions of government control [(Megginson, (1994); Andrews and Dowling, (1998); D'Souza and Megginson, (1991)].

The main aim of privatization is to get more performances before. quoted from Mohammed (2004) at the case study level, Eckel, and Singhal (1997) analyze the effects of privatization on the performance of British Airways and argue that when a firm is privatized several factors change simultaneously such as ownership and a firm's objectives. These factors, among others, ultimately improve the economic efficiency of the firm. Ramamurti (1997) also finds a significant improvement in labor productivity of Argentine national freight following privatization although that improvement was accompanied by a significant decrease in employment. The aim of Privatization is improvement in the privatized firms' financial and operating efficiency is one of the objectives that are more frequently associated with privatization processes.

According to Solomon D, government of Ethiopia in 1992 agreed with IMF, World Bank and other donors to adopt a structural adjustment program. In September 1992 a policy framework paper for 1992/93 - 1994/95 was prepared and agreed upon with the World Bank and the IMF. During the first years of the transaction period substantial liberalization of both factor and commodity occurred, price controls were eliminated for all goods except for petroleum and petroleum products, pharmaceuticals and sugar for household consumption. The road transport monopoly was eliminated and a new labor code was introduced. Another set of changes that most people thought would have a positive impact on the functioning of the Ethiopian economy was the up-ward adjustment reform structure of private interest rates, and reformed income tax structure implying that the maximum marginal tax rate has been adjusted down ward. (Solomon D, 2001)

The public sector proclamation implied not only privatization of state-owned enterprises, but also reorientation of the organizations of the remaining state owned enterprises to make them more efficient and profitable. The nine state corporations that dominated the industry were dissolved to stimulate domestic and private investments. Anew investment code was released and privatization agency was set up. The financial sector (banking and insurance business) was liberalized in order to stimulate investment in the private sector. Thus, we can conclude that the various liberalization measurement positive changes along all economic system dimensions.

Alemayehu W, (2015) stated in his paper that in line with the trend worldwide, Ethiopia, especially during Derg years, public enterprises had an important role in the economy as they had a dominant position in building national economy. Their establishments during the period were to mobilize resources and control over the major means of production and distribution, and accordingly they made considerable contribution to capable building and modernize the economic sectors. But gradually their importance constrained by lack of inputs, among other reasons, and these led them to use their capacity below 40% (Mekonnen M, 2009). With declining capacity utilization and low out puts levels, loss of the public enterprises had been increasing which had led to increased pressure on the budget and financial system. In the early years of the current ruling government of Ethiopia, its economy reform was designed to correct the sever imbalances built over the Derg regime.

Solomon D also stated in his paper that denationalization process of enterprises has been slower in Ethiopia. In February 1994 the government released the Ethiopian Privatization Agency Establishment Proclamation. The Ethiopian Privatization Agency is accountable to the Prime Minister's office. The objective of this Agency is to carry out the process of privatizing public enterprises in an orderly and efficient manner (NegaritGazeta no. 67, 17 February 1994, p.293). One of privatized company is Kaliti Metal Products Factory.

2.8. Performance measurement

According to Neely Performance measurement is a topic which is often discussed but rarely defined. Literally it is the process of quantifying action, where measurement is the process of quantification and action leads to performance (Neely A., Gregory M., Platts K.,2005). The goal of performance measurement systems is to implement strategy, in setting up such systems senior management selects measures that best represent the company's strategy. A performance measurement system is simply a mechanism that improves the likelihood the organization will implement its strategy successfully (Anthony and Govindarajan, 2007).

Performance measurement (PM) systems was historically developed as a means of monitoring and maintaining organizational control which is the process of ensuring that an organization pursues strategies that lead to the achievement of overall goals and objectives (Brignall and Ballantine, 1995).

A performance measure can be defined as a metric used to quantify the efficiency and effectiveness of an action (Neely et al. 2005). Performance measures can be used for multiple purposes. Moreover, different people have different purposes (Behn, 2003). Performance measures are tools to understand, manage, and improve organization activities (France schini, Galeto and Maisano, 2007). A performance measurement system can be defined as the set of metrics used to quantify both the efficiency and effectiveness of actions (Neely et al. 2005).

2.9. Non-financial performance measure

Fitzegrald (1991) divides the performance dimension into financial and non- financial performance dimension: According to her, the financial performance can be measured by: Profitability, Liquidity, Capital Structure, Market ratios. Non-financial performance such as resource utilization, quality of service, innovation, and flexibility could be measured by: resource utilization e.g. is measured by productivity and efficiency. Quality of service could be measured by: reliability, responsiveness, aesthetics/appearance, tidiness/cleanliness, comfort, friendliness, communication, competence, availability, security. Innovations as non-financial performance measures could be measured by: performance of the innovation process and performance of individual innovation's. And flexibility could be measured by: specification flexibility, volume flexibility and delivery speed flexibility (Brignall and Ballantine, 1995).

Non-financial performance reflects the organization's measures in non-monetary units as compared to financial performance includes earnings profit margin, average order values and return on assets. Accordingly, the perceived performance measure is measured by the selected sample respondents by comparing the selected dimensions of performance over the past five years to the performance versus to before privatization. The perceived data will be collected by the questionnaires from the respondents are compared and analyzed by the objective data of the case firm collected from interviews and other secondary sources.

A performance measurement system attempts to address the needs of the different stakeholders of the organization by creating a blend of strategic measures: outcome and driver measures, financial and non-financial measures and internal and external measures (Anthony and Govindarajan, 2007).

According to Hoque, (2006) non-financial performance measure should reflect the drivers of future financial measures. The bottom line is that traditional performance measures should be replaced with more flexible, dynamic measures. Broad criteria such as customer-based measures, product and process measures and continual improvement and innovation measures enable the organization to establish longer term improvements that are likely to lead to increased productivity and competitiveness (Hoque, 2006).

Merchant and Van der Stede (2006) defines non-financial measures such as: market share, sales and production growth, inventory turnover, customer satisfaction. Performance measurement literature identifies the following common measures of nonfinancial performance of a business: Efficiency measures are those that focus on quality, time and efficiency. Innovation measures assesses and organization's innovative capacity, and measure such things as number if new patents, number of new products launches, process time to market and time taken to develop next generation of products. Learning and growth measures assess organization learning capacity to enhance organizational long term growth and measure such things as employee intellectual capacity, employee training and development, the employee incentive system, employee turnover. Customer measures assess the relationship with customers and encompass such measures as market share, customer response time, on-time performance, product reliability, customer satisfaction (Hoque, 2006).

Though there are various empirical studies on the pre and post-performance of the privatization of state owned enterprises, there is not much study in the area of non-financial measures Performance measurement on privatized firms in Ethiopia.

And in the case of our country there is always a controversy over the privatization of State-Owned Enterprises. Alemayehu (2015) and Surafel (2010) in their study on operational performance and competitiveness of the privatization did not seriously affect privatized enterprises operating performance and profitability, and a decline in overstaffing. More dynamic private sector is a major contributor to increased efficiency given that a huge amount of resources is moved from government control to market allocation which is the mainstay economy.

Though there are numerous papers done on privatization, most of the papers are contradictory with each other. None of the mentioned studies illustrates whether non-financial measures would be improved significantly after privatization of state owned enterprises empirically. However, this in different perspective, largely after privatization, the under considered measures are left to the new owners. Hence, the Ethiopian privatization needs to be focused on non-financial performance indicators for their long- term sustainability in an ever increasingly competitive market. To that effect, there should be insight study to know whether privatized enterprises have significantly improved on under discussed variables after privatization. In the light of this, the paper aims to examine the non-financial performance changes in the case enterprises following privatization, and also indicates where thorough researches should be undertaken to identify the determinant factors and their changes.

In the Ethiopian context, according to Ethiopian Privatization agency, to date there are 195 units and whole enterprises have been privatized and transferred to domestic and foreign investors-including 21 industrial enterprises, 14 hotels, and 108 retail enterprises. Over the coming three years, the plan is to privatize 118 public enterprises. (EPA website, June 20, 2017 9pm). One of the enterprises to have been privatized is Kaliti Metal Products Factory.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The study employs the following research design, approaches to research methods, participants, research instruments, source of data, data collection methods, target population, sampling techniques and sample size, pilot test, data analysis tools, validity and reliability.

3.1. Study Design

By application, the study is an applied research, where the aim is to assess the significant difference of privatization on non- financial performance of Kaliti Metal Product Factory. By objective, the research is a descriptive research design. As the purpose of this research is to assert the effect of privatization on non-financial performance of firm versus the performance of State Owned Enterprises. It attempts to contribute to the debate on how the privatization of public enterprises affect the non-financial performance (i.e. product quality, sales and production growth, customer satisfaction, employee efficiency difference) of privatized enterprises. Descriptive research type, was preferred for this study which enabled the researcher to use both qualitative and quantitative data analysis. Other researchers employed this research type for related and similar studies (Alberto 2006; Belén, 1999; Tewdros 2014).

3.2. Data Source and Method of Collection

The required data for the study is collected using both primary and secondary data collection methods. The paper begins by reviewing official documents including on evaluation of similar studies, that are similar or related to the research topic and annual reports of the firm and other documents that reflect the case enterprise success or progress in relation to a specific variable. This review helped to identify a list of relevant variables to measure the effect of privatized enterprise for further studies. These sources of information allowed the study to access original and full information regarding the subject matter under reference. The key informant questionnaire was conducted using standardized list of questions which aimed at understanding the effect of the case enterprise leading to an improvement in the performance of state-owned enterprises following privatization.

In order to have a complete picture of the effect of privatization on enterprise performance, the study conducted a survey of a sample department of the case enterprise involved on the benefits of privatization. The 2017 employee's users' list database was used. The sampling of firms from the database is guided by management's special attention to assess the activities that the under discussed factory sees as important to the achievement of its strategic objectives.

Secondary data on non-financial performance indicators for pre and post privatization period was collected and an independent t-test analysis was done to see if there were differences in performance.

To select employees for the standard questionnaire, purposive sampling was implemented to include only those who have been working in the factory before it was privatized. Employees from the various departments of the factory were included in the study. As Singh (2006) suggested in his book about sample size technically, the size of the sample depends upon the precision the researcher desires in estimating the population parameter at a particular confidence level. There is no single rule that can be used to determine sample size. Taking the time and finance limitation into account, the size of the sample from the total 465 employees working in the factory as of December 18, 2017, 150 employees of the factory were selected for questionnaire based on their work experience in the company for a minimum of 7 years. Standard questionnaire was given for company's customers selected using purposive sampling. Sampling included only those who have been customers of the factory before it was privatized.

According to factory's annual 2017 report, 67% in Birr and of company sales were dealt at the main branch. List of the customers with more than 7years relation with the company was obtained from the main branch and the study questionnaire used to collect the necessary information from 25 regular customers were given accordingly. (see Appendix 3)

3.3. Data Collection

According to Singh (2006) for descriptive research uses the questionnaire as research tool for data collection. It is most frequently used in this type of research. For this research to collect data questionnaire is administered to those target populations from the selected manufacturing firm. Research method writers advocate that quantitative, qualitative and mixed research methods have their advantages and limitations. As Creswell (2009) defined a mixed method research is an approach to inquiry that combines or associates both qualitative and quantitative forms of research i.e. mixing both approaches in a study. A mixed approach is used in this study to collect variety of data, but with more focus on a quantitative approach. For the qualitative method of data collection, sample from regular customers of the company and employees are included as key respondents for the quantitative method.

3.4. Sampling Size and Sampling Method

According to Saunders (2017), sample selection can be done either through probability sampling method where the probability of each case being selected is known and non-probability sampling method where the probability of each case selected is unknown. To these regard, the research employs a non-probability sampling method of judgment or purposive sampling of all employees in the case firm whom the researcher feel can have a good understanding of the subject matter under study from such work units like procurement, finance, warehouse, sales and marketing, customers who have been with the company for more than seven years are considered in the sample. Top management and middle level management staffs like chief executive, assistant or deputy executives, department head or line supervisors who are working in the case manufacturing firm are part of the sample size for the study under investigation. Other researchers employed such profession related samples in order to obtain reliable data from those acquainted with the profession (Sabry 2015, Carr et al 2002, Foreman-Peck, J.,1985). Those who qualify these criteria are selected based on the organizational structure of the case manufacturing firm.

3.5. Method of Data Analysis

The collected data was analyzed using paired t-test which is appropriate for before-and-after-privatization performance difference study i.e. to test an enterprise performance like case study before and after privatization in order to know whether the privatization is effective. Tables, graphs and figures used to present the findings in a more readable fashion. Statistical software SPSS 22 was used to do the statistical analysis.

It was widely recommended that non-parametric test is suitable to data sets where there are observations matched or related. As it was written in kothari (2004), each observation in the case enterprise must be paired with an observation in a before-and –after privatization where the observations are related. In the study, since non-parametric test is to compare outcomes between two samples likely derived from the same population. The researcher preferred the Wilcox on Sum Rank Test for analysis. Tough Wooldrige (2005) stated that the choices for the statistic and critical value are based on convenience and on the desire to maximize power given a significance level for the test, Chatterjee, (2006) recommended to use 95% significance level as a cutoff. Hence, the researcher used 5% significance level to test the hypotheses.

3.6. Data Collection

Validity addresses the problem of whether a measures what it is supposed to measure and reliability concerns the consistency and accuracy of the results obtained and it is achieved if research results can be repeated under the identical or very similar conditions. One of the validity issues to be addressed in this study whether the study measures what it supposed to measure in the right way and the questions are proper and go well with the research's objective and purpose.

As the questionnaires are adapted from others and is pre-tested with academics and practitioners to check its content validity, there is no need of conducting pilot test to examine its suitability for the target population.

As the study uses primary and secondary sources of data, all the sources are cross-checked before included in the thesis. The data from secondary source is compared to confirm the reliability of those data. To keep consistency of the tool, the research questionnaires are constructed based on acknowledged and published theories. Furthermore, as the respondents were elected from top and middle level management staffs of the case-survey firm that are involved into the day to day operation planning, organizing and decision activities, the researcher expect that the respondents gave credible answers that can be answered to another future independent researchers. This study addressed content validity through the review of literature and adapting instruments used in previous research.

3.7. Ethical Clearance

A formal letter written from St. Mary's University to the selected case firm and concerned authorities requesting for the study. The data collection will only be started after getting consent from the parties mentioned above. In addition to this, name of the employees (selected for the sample) will be not be included to maintain confidentiality.

3.8. Study Validity and Reliability

Collected data to ensure high validity and reliability the triangulation method was applied for this study. Triangulation in research refers to the combination of two or more data sources, methods or theories in one study of a single phenomenon to converge on a single construct. As mentioned Robson, C (2003) produced a very detailed list of types of triangulation as follows:

- Time triangulation: collect data at different points in time,
- More than one data collection
- Person triangulation: collect data from more than one level of persons: individual, groups or collectives.

Thus, the study used both data and person triangulation formats. Data triangulation is used since there are two types of data collecting methods used in this study, i.e. questionnaire, secondary data. Person triangulation was also used since the questionnaires were distributed to different level of managers, different head of departments such as sales department, operation department, human resource department. And employee who have different educational background and working skill experience are selected for person triangulation method. When distributing questionnaire for customers who are direct consumers of the company, all customers were involved with the company five years before and after privatization .

CHAPTER FOUR
FINDINGS AND DISCUSSION

Introduction

The purpose of this study is to evaluate the impact of privatization on the non-financial performance of Kaliti Metal Product Factory. The study is based on the impacts on non-financial performance criteria and ratios of firms in the KMPF between the pre privatization and post-privatization eras. These criteria include product quality, customer satisfaction, product and sales growth, and employee efficiency.

The study used primary and secondary data. The secondary data was collected mostly from two sources; from PPESA (Privatization and Public Enterprises Supervising Agency) and the company itself. These data consist information about the pre and post privatization status of KMPF. Descriptive statistical analysis was done based on the data collected from the aforementioned sources.

4.1. The Profile of the Case Enterprise

According to 2016 yearly company magazine stated a detailed Kaliti Metal Products Factory (KMPF) was established in 1968 by Italian Investor Mr. Riso Sporando, as major shareholder jointly with other shareholders with an initial capital of birr 500,000. The plant was engaged in the manufacturing of various types of tubular steel sections/profiles. In 1976, KMPF was nationalized by the Derg regime and become part of national metal works corporation (NMWC). The factory was reestablished as a public enterprise by the Counsel of Minister's Regulation Number 54/1992 effective from November,10 1992 in accordance with the provisions of Public Enterprise Proclamation 25/1992. Total working capital of the factory is more than birr 250 Million.

The factory is located in AkakiKaliti Sub city, Woreda 4 on a total land area of 99,288 square meters. KMPF is one of the metal industries in the country that manufactures range of products. The factory was acquired by Tsehay Industry Share Company from privatization and Public Enterprises supervising Agency (PPESA) since July 12, 2012. It is now working with a total capital of more than Birr 700 million and with a work force of 408 workers which is comprised of 348 males and 60 females. The factory is now producing trailer and cargo truck bodies, structural and furniture hollow sections, door and window frame profiles, EGA and ribbed sheets for roofing & wall cladding, galvanized corrugated iron sheet, pressed and plain sheet metal products and other products as per customer's design.

Since the acquisition of KMPF, Tsehay Industry Share Company has undertaken essential improvements on the factory management and operation. These measures have resulted in significant improvements in the performance of the factory. The turnover has increased from Birr 276 million in 2012 to Birr 416 million in 2014 budget year, and has reached Birr 850 million by 2016 budget year (the year ended June 30, 2016). The financial performance of Tsehay/KMPF has shown a profit of about Birr 36.6 million and Birr 85.1 million (before tax) as at June 30, 2015, and 2016, respectively. This is achieved after deduction of all costs including high depreciation and amortization costs of the assets acquired through the privatization of KMPF.

The fact that the factory has been in business for more than 50 years, has contributed significantly to the emerging industries and construction sectors through the supply of metal products. Moreover, the factory has made efforts to improve itself and its outreach by carrying out various system improvement works such as: -

- Quality management system (ISO 9001:2015)
- Integrated performance management system
- Business process re-engineering and also expansion works on the manufacturing units especially on tube making lines.
- Management Information System
- Implementation of KIZEN philosophies.

Having made all those stated efforts, the factory won the national first level award of excellence for demonstrating organizational excellence, out standing practice and high commitment in managing and achieving results.

4.2. Character of The Respondents

This study was conducted in 2017 and the selection of respondents was based on people who worked in the Factory for more than seven years (before and after privatized) who would be able to give a clear picture of the non- financial performance situation of the organization in order to identify the indicators of performance measurement. For this research, a total number of 184 employees with more than seven years of experience and the general Manager of the Factory have been selected for the questionnaires. Questionnaires were also given to long time customers which were found at respective distribution hubs of the factory. The Factory has six distribution hubs; Head office sales Branch, T/Himanot (Merkato Shopping center), Hawassa, BahirDar, Adama, DebreBrhan, and Jimma Sales Branch. According to the Factory's 2017 report, large amounts of sales were done by the head office sales branch. Customers selected for this research have been with the Factory for above seven years. Twenty-five customers were selected out of seven categories. (See Appendix 3)

4.3. Findings and Discussion On Non-Financial Performance pre and post privatization

Harif, Hoe & Ahmad stated in their paper published on 2013 that there are four non-financial indicators that can be used as a performance measurement for companies: product quality, customer satisfaction, production and Sales growth, employee efficiency (Zaman 2004; CIMA 1993; Fitzgerald et al. 1991; Haskett et al. 1994; Cho and Pucik 2005). All of these four authors had agreed that customer satisfaction is an indicator to measure companies' performance (Zaman 2004; CIMA 1993; Fitzgerald et al. 1991; Hasket et al. 1994). The secondary data used in this research include the five years before and five years after privatization. The primary data is from the questionnaire distributed for the company's employee and customers which have been involved with the company for more than seven 7 years.

4.4. Change in Product Quality of KMPF Pre and post Privatization

Table 4.2. Product Performance differences before and after Privatization of KMS

S.No	Outcome indicator	Before Privatization	After Privatization	Mean Difference	t-value	P-value
1	Quality	2.21	4.58	2.37	9.62***	0.000
2	Durability	2.46	4.33	2.37	6.07***	0.000
3	Diversity of Product	1.88	3.88	2.0	5.76***	0.000
4	Aesthetic feature of Product	2.25	4.08	1.83	4.55***	0.000
5	Products Serviceability	1.75	4.21	2.46	9.13***	0.000
6	Product Reliability	1.75	4.33	2.58	1.97***	0.000

*** Significant at $p < 0.01$, ** is Significant at $p < 0.05$, * is Significant at $p < 0.1$

Source: Own survey (2017)

As indicated in table 4.2, KMPF showed statistically significant improvements in the attributes of the mean difference in product quality value of 2.37, durability value of 2.37, diversity of product value of 2.0, aesthetic features value of 1.83, product serviceability value of 2.46, and product reliability value of 2.58. The results are significant at p value at <0.01 post privatization.

Durability of products, aesthetic feature of product, product serviceability and product reliability showed significant difference after privatization of the company. According to annual magazine of the company on 2013, the factory has been implementing various changes to enable it to attain higher quality products. It has put in place the integrated performance management system, set up a new organizational structure through the business processing reengineering studies, introduce computerized management information system to allow swift decisions based on high quality information and implemented quality management system to make it competitive in the products it manufactures and service. The result is also consistent with the recognition of the ISOQAR evaluation of KMS in 2012 for the company's quality management system (KMPF annual report, 2017) that brought significant change in its quality production. The Ethiopian Quality Award Organization has also recognized KMS for its excellent performance (KMPF annual report, 2017).

According to the company's 2017 annual report the performance difference could be attributed to the timely service and maintenance given to old machines and the purchasing of technologically up to date machineries, the recruitment of experienced and professional employees, the provision of continuous training to machine technicians and also the testing of raw material for potential impurities in the laboratory and the company's commitment for high standard concerning its quality (KMS annual report, 2017). The company also expanded its manufacturing capacity in product diversity in order to meet the ever growing demands of the market by diversifying its output further.

4.5. Change in Satisfaction of KMPF Customers Pre and post Privatization

Table 4.3. Mean differences customer satisfaction before and after Privatization

S,No	Outcome indicator	Before Privatization	After Privatization	Mean Difference	t-value	P-value
1	Timely Delivery	1.74	4.13	2.39	8.78^{***}	0.00
2	Customer Handling	1.42	4.58	3.16	15.40^{***}	0.00
3	Response to Customer Complaints	1.46	4.08	2.62	9.55^{***}	0.00
4	Order acceptance	1.67	4.29	2.62	11.33^{***}	0.00
5	Recognition of Regular Customers	1.88	4.29	2.41	8.57^{***}	0.00
6	Openness and Responsiveness towards Inquires	1.67	4.50	2.83	15.14^{***}	0.00
7	Price comparison with competitors	1.46	4.46	3.0	13.82^{***}	0.00
8	Consistency in Improvement of Product Quality	2.79	4.38	1.59	4.32^{***}	0.00

*** is significant at $p< 0.01$, ** is significant at $p< 0.05$, * is significant at $p< 0.1$
Source: Own survey (2017)

As indicated in table 4.3, there is statistically significant difference in post privatization period with respect to timely Delivery($p<0.01$), customer handling($p<0.01$), response to customer complaints($p<0.01$), order acceptance($p<0.01$), recognition of regular customer($p<0.01$), openness and responsiveness towards inquiry($p<0.01$), price comparison with competitors($p<0.01$), and consistency in improvement of product quality ($p<0.01$).

The mean difference of the company in terms of timely delivery post privatization shows a value of2.39, in terms of customer handling value of 3.16, response to customer complains value of 2.62, order acceptance value of 2.62, recognition of regular customer value of2.41, openness and responsiveness towards inquiry value of 2.83, price comparison with competitors' value of 3.0, and consistency in improvement of product quality value of 1.59.These may be due to the opening of sales branches in different corners of the country, as this helped the company to address its customers need and easily communicate with them. According to the 2017 annual report, the number of distribution hubs was increased by two fold. Before privatization the number of the distribution hubs were only two but now it has reached to seven. For customers with large number of orders, the company has a transport system to facilitate timely delivery which in turn increased its overall efficiency.

4.6. Change in Sales and Production Growth of KMPF Pre and Post Privatization

According to secondary data from the past ten years, five years before and five years after privatization, there is a significant increase in sales and production growth after privatization. (See Appendix 1 and 2). Tsehay Industry share company acquired Kaliti Metal Products Factory at the end year of 2012.At that time the production in tones was 11,841 tons. Within the next five years, production in ton showed more than two-fold increase. By the end of 2017, it was more than 23,939 tons. The net annual sale was 276.7 million birr in 2012, which increased to 637.6 million birr in 2017. The increment was by 130 percent in five years. The company registered capital when Tsehay industry share company acquired KMPF was 303.5 million birr. The capital has been increasing annually. By the end of 2017 the same capital was increased to 941.1 billion birr. The five year registered capital increment showed 208 percent increase. (KMPF Annual report magazine, 2017). Comparing the net product, net annual sales, and registered capital of the year 2012 with 2017, there is 102 %, 130% and 208% increment respectively in the year 2017.

Before privatized the company did not achieve such increment as indicated in 2017 KMPF company annual report (see Appendix 1,2). There is significant performance difference of the company after privatization with respect to sales and production growth. The company's yearly magazine (2016) stated that performance improvement was due to undertaken measures. Among the upgrading measures the factory undertook with more than 88-million-birr investment include the procurement of new tube mill for producing hollow section steel tubes, construction of two workshop buildings for production of trailers and cargo bodies, machinery installment for raw material splitter, machinery for production galvanized and colored sheets, and purchase of material handling equipment. Despite shortage of supply of raw materials, based on the market demand the company has proven itself an important component of the industry by producing these products within the established time frame. And also the availability of the manufactured goods in all the sales branches which in themselves have been made to cover new key places and the different types of promotions done by the company has helped to further propagate the sale production growth.

4.7. Change in Employee Efficiency of KMPF Pre and Post Privatization

Table 4.4. Employee Efficiency differences before and after Privatization

NO	Outcome indicator	Before Privatization	After Privatization	Mean Difference	t-value	P-value
1	Total volume Products processed on daily basis	2.42	3.64	1.22	6.01***	0.00
2	Number of ton produced per hour	2.31	4.58	2.27	17.19***	0.00
3	cost effective work performance	1.86	4.53	2.67	22.72***	0.00
4	employee technical skills and efficiency	2.03	4.40	2.37	14.73***	0.00
5	Shortened average product process	2.05	4.56	2.51	18.40***	0.00
6	Product rejection rate	2.15	4.43	2.28	17.26***	0.00
7	Employee punctuality	2.05	4.43	2.38	16.92***	0.00
8	Response time for customer order	2.62	4.46	1.84	12.69***	0.00
9	Production output contributing to meet the company mission	2.17	4.59	2.42	21.53***	0.00
10	Machine maintenance resulting in reduced unplanned downtime	2.14	4.59	2.45	20.70***	0.00

*** is significant at $p < 0.01$, ** is significant at $p < 0.05$, * is significant at $p < 0.1$

Source: Own survey (2017)

As indicated in table 4.6, there is significant average product performance difference of the company after privatization with respect to total volume products processed on daily basis ($p<0.01$), number of tons produced per hour ($p<0.01$), cost effective work performance ($p<0.01$), employee technical skills and efficiency ($p<0.01$), shortened average product process ($p<0.01$), product rejection rate ($p<0.01$), employee punctuality ($p<0.01$),response time for customer order ($p<0.01$), production output contributing to meet the company mission ($p<0.01$), machine maintenance resulting in reduced unplanned downtime ($p<0.01$).

The average value of the company in terms of employee efficiency is significantly different after privatization. The 2016 annual company magazine stated that implementation of different types of capacity building training for the technicians contributed for this result. The quality management system, the integrated performance management system, the business process re-engineering and expansion works on the manufacturing units especially on tube making lines, the management information System, the implementation of KIZEN philosophies helped the factory to win the national first level award of excellence for demonstrating organizational excellence, out standing practice and high commitment in managing and achieving results. Human resource recruitment focused more on qualified and new employees with higher level of education which in turn improved work efficiency. (See Appendix4).

According to APPA 2017 yearly report what is peculiar about Tsehay Industry share company from other privatized companies is that it allows management members and staffs to buy shares. The number of shareholders now is 307 and from these include individual staff members, consumer association, and microfinance institutions. Employees having a share in the company might resulted in a sense of ownership which positively derived them towards working hard. Post privatization the company has revised the salary scale twice. The company has also given bonus for staffs and management members annually. These strengthened the unity and the belongingness of all staffs which in turn increased commitment of work resulting in efficiency and profitability.

CHAPTER FIVE:

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1. Summary of the key Findings and conclusion

This chapter aims to summarize the important findings of the study and drives brief conclusions drowned from the findings. Future study areas were also laid down.

This study examined the scope of the non-financial performance effectiveness of privatization in Kaliti Metal Product Factory as a case study. The non-financial variables indicators of the factory cover the time between 2006 and 2017. This period covers the pre-privatization and post-privatization period of the factory under consideration. It measured the changes in product quality, sales and production growth, customer satisfaction, and employee efficiency by comparing the five years before and after privatization. The four non- financial performance indicators are calculated as average of five years before, and five years after privatization. The four indicators are grouped into standard broad categories: product quality (6 indicators); employee efficiency (10 indicators), customer satisfaction (8 indicator); sales and production growth (one indicator).

The result is summarized as follows:

To examine the non- financial performance of Kaliti Metal Product Factory, the study used the standard methodology of comparison used in the literature and empirical studies to compare the pre- and post-privatization non-financial performance of the under studied enterprise. To test the result for the significant changes between mean values of pre- and post-privatization periods the non-parametric test is used. The data was tested using a paired sample t- test analysis. The t-value is employed to determine whether the considered enterprise experiencing changes is greater than what would be expected by chance.

The result of the study revealed that there were positive improvements in the non-financial performance of Kaliti Metal Product Factory after privatization in terms of product quality, employee efficiency, customer satisfaction and sales and production growth compared to its performance before privatization. This implies that the company showed improvement in those regards than when it had been under government ownership.

5.2. Conclusion

The results, revealed that there were positive improvements in the performance of Kaliti Metal Product Factory after privatization in all indicators considered for this study when compared to its no-financial performance before privatization. This improvement is either due to higher investment on new machinery, starting new product, and employee incentive's. Overall, going by the results of this study, privatized public enterprises have continued to show improved performance in the years after privatization. The result of the study revealed that there were positive improvements in the performance of SOEs after privatization in terms of all indicator parameters used in this paper.

The research result goes support the empirical literature that states privatization improves the performance of privatized companies in their performance some studies such as (Alemayehu,2015), and (Boardman and Vining, 1989). These empirical evidence that post privatization firms can become profitable and efficient.

In conclusion;

• privatization contributed positive difference in KMPF with statistically significant shifts between Pre/post privatization

• Because of improved utilization of capacity, high amount of money investment, the overall performance of KMPF showed in examined indicators more positively and by far significant performance between pre and post privatization performance

• The empirical results from SPSS showed the performance change results after privatization for KMPF are significant

Finally, after privatization firms may become profitable and efficient, this means that privatization has significant effect on product quality, customer satisfaction, employee efficiency, sales and production growth when compared to its performance before privatization.

The researcher concludes that privatization process in the case factory sector has resulted in significant changes in non-financial performance.

5.2. Recommendation

On the basis of the findings and conclusions reached, the following recommendations were made in order to improve the performance of companies. Since privatization has a positive significant impact on KMPF, in order to preserve the positive improvement in the case company, concerted efforts are needed to maintain the necessary implementations. Through: -

- By opening of sales outlet in another corner of the country
- By continuous employee capacity building program training and maintaining incentives
- By timely maintenances of the machineries

5.3. Recommendation for further Researches

Emanating from the limitations and gaps felt from the study, the following additional issues were recommended for further investigation;
This study was conducted on single metal manufacturing sector. Similar studies could be expanded to find out on non-financial performance on other sectors.

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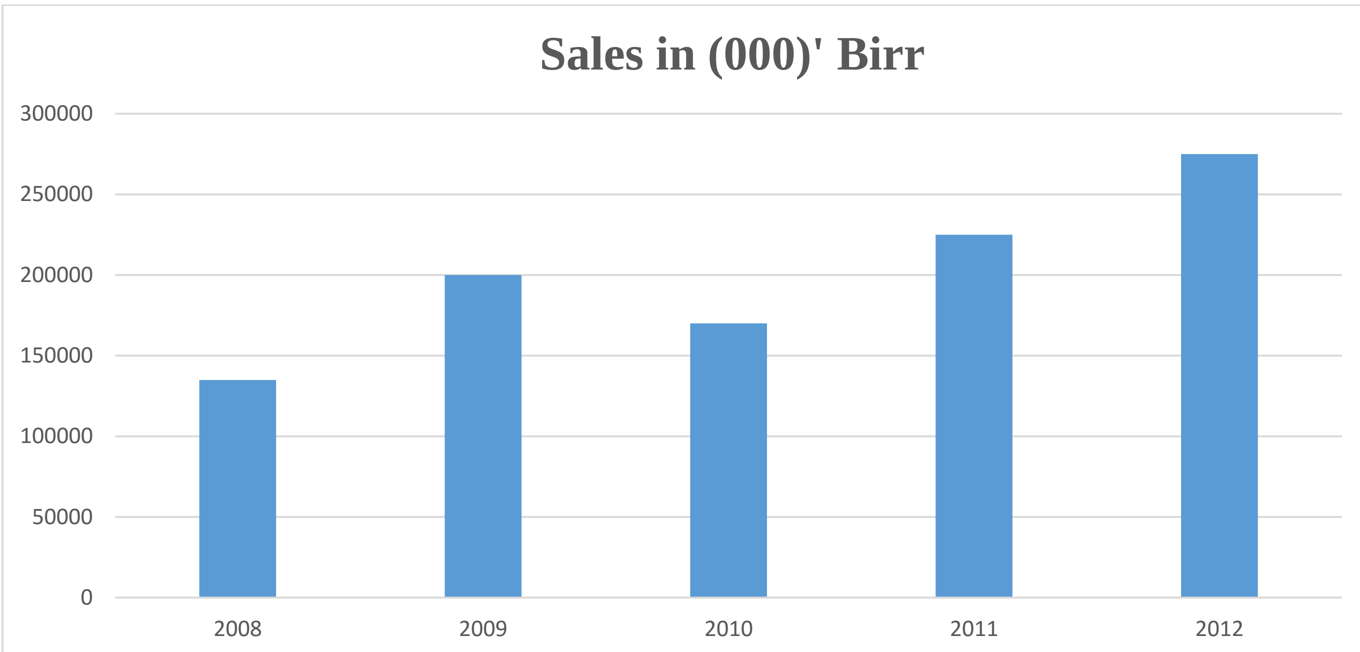
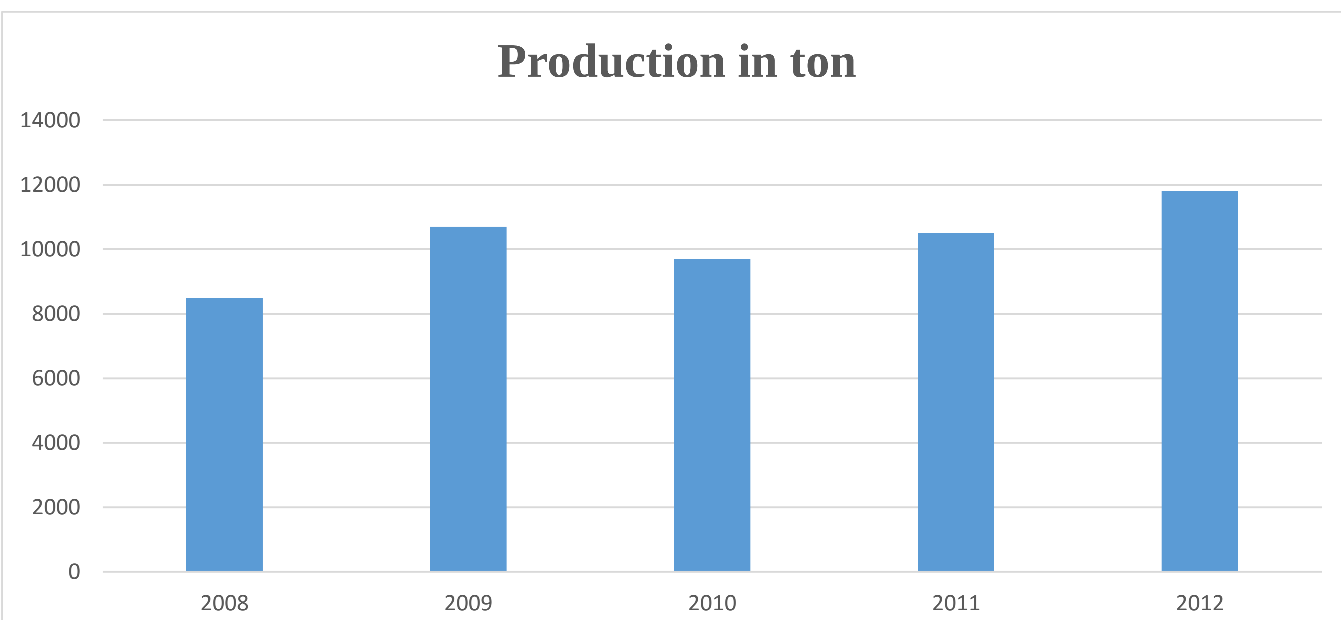
Appendix 1

Five years of Sales and Production performance in Birr and in Ton before privatized the company

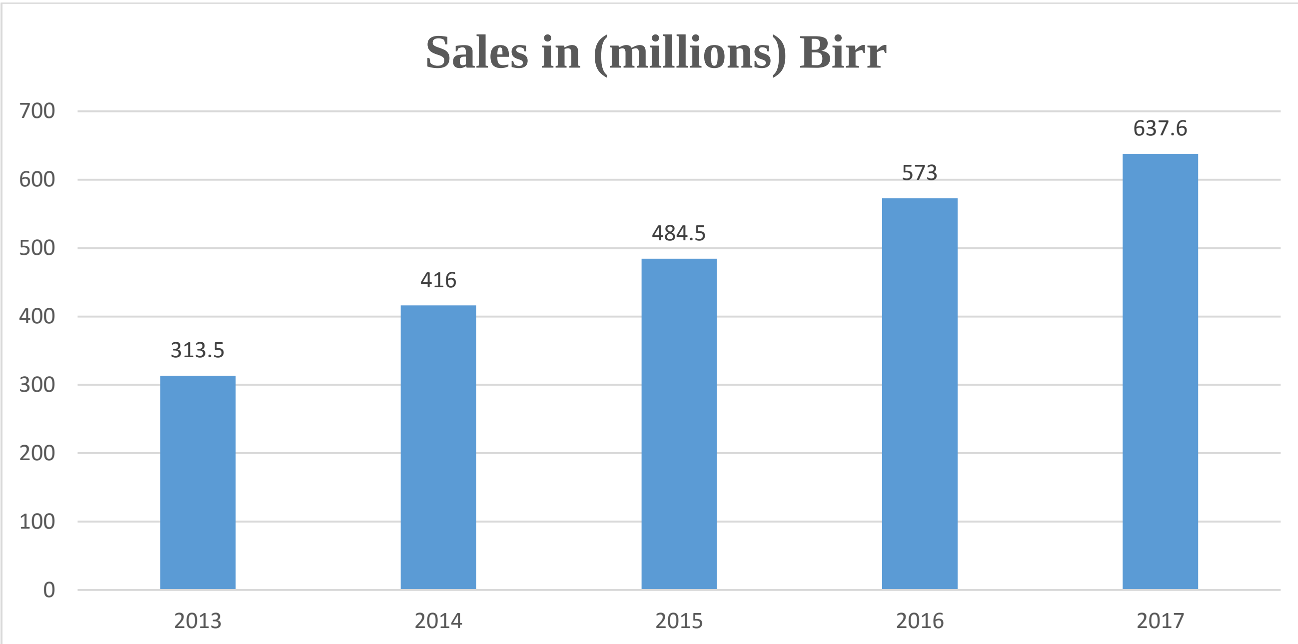


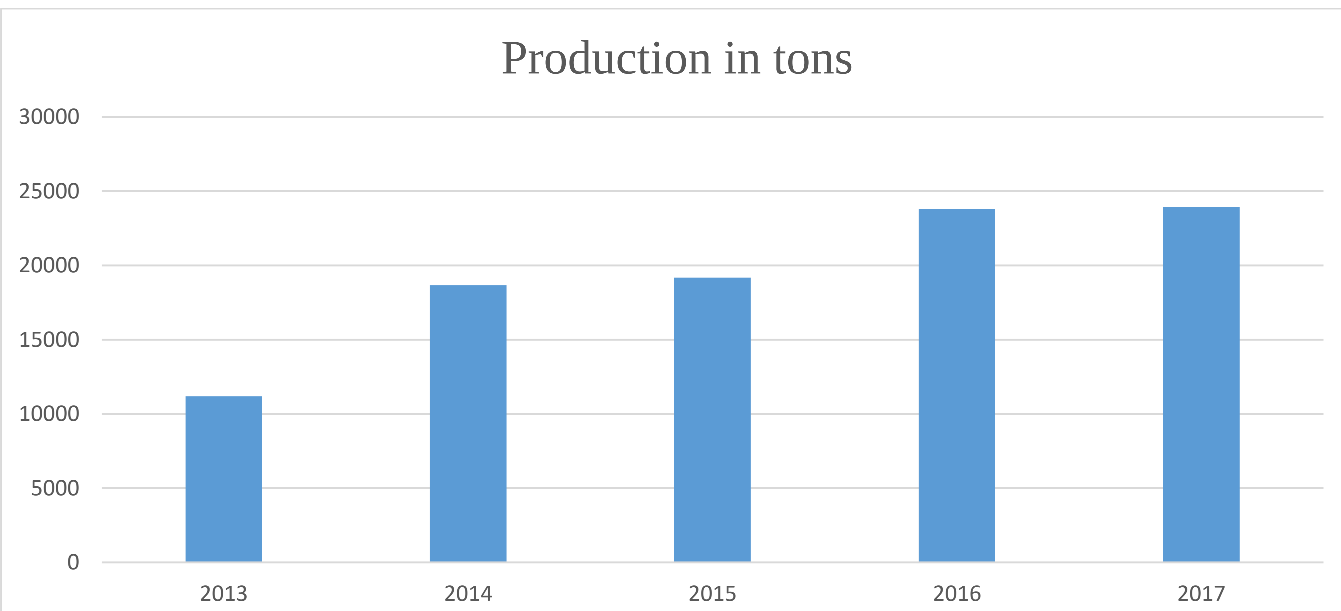


Source :- KMPF yearly Magazine (2012)

Appendix 2

Five years of Sales and Production performance in Birr and in Ton After privatized the company





Source :- KMPF Annual Report (2017)

Appendix 3
KMPF 2017 Branch's Sales Performances Report

	Branches	Sales		
		In tons	In birr	In percent
1.	Head office sales Branch	14,227.83	430,815.87	67.4%
2.	TekleHimanot	2,596.56	56,616.62	8.9%
3.	Adama	2,258.57	48,319.41	7.5%
4.	Hawassa	2,442.55	56,164.98	8.7%
5.	Bahir Dar	1,330.03	31,822.76	5%
6.	Jimma	575.69	14,719.78	2.3%
7.	DebreBirhan	37.34	1,013.90	0.2%

Source 2017 KMPF Annual sales report (2017)

Appendix 4

Employee Educational Status Before and After Privatized the Company

Educational Level	**Before- Privatized**						
	No	2006	2007	2008	2009	2010	2011
BA and above		13	19	18	24	25	37
Diploma		24	23	28	39	39	47
Other		256	261	265	266	274	250

Source KMPF Human Recourse Experience Sharing Document (2009)

Educational Level	**POST- Privatized**						
	No	2012	1013	1014	2015	2016	2017
BA and above		53	49	55	76	77	76
Diploma		77	78	68	67	72	71
Other		271	285	275	277	313	318

Source KMPF Annual Human Recourse Report (2017)

Appendix 5

Questionnaires

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

PRODUCT QUALITY.

Questionnaires to be filled by filled by the customers of KSM plc Respondents

Dear respondents the purpose of this study is to assess the current product quality of private organization under the Thesis title "*ASSESSMENT OF POST PRIVATIZED COMPANY'S ORGANIZATIONAL PERFORMANCE: THE CASE OF KALITI STEEL MANUFACTURING PLC",* in Addis Ababa; so as to identify the major obstacles and seek feasible solution. Besides, the study is intended to the partial fulfillment of *in fulfillment of Master of Business Administration degree*. Giving response to the questions may not take you more than 30 minutes. The Researcher also assures you that your individual response will be kept confidential. Therefore, you are kindly requested to reply the questions with much sincerely and honesty. The researcher thanks you in advance for your co-operation.

N.B:

1. You don't need to write your name.
2. The student researcher has scheduled to get the filled questionnaire back within three days.
3. KMPF plc stands for *KALITI METAL PRODUCTS FACTORY*

SECTION A

BASIC DEMOGRAPHIC DATA (PLEASE PUT "√ " IN SIDE THE BOX)

1. How long have you been working with your Company? ____________________

2. How long was your company a customer of *KALITI METAL PRODUCTS FACTORY*

7- 10 years ☐ 11- 15 years ☐

16- 20 years ☐ 21 -25 years ☐ above 26 years ☐

SECTION B.

The following are some of questions that prepared on the potential related indicators to assess the level of KMPFPRODUCT QUALITY in “THE *CASE OF KALITI METAL PRODUCT FACTORY”*. Please rate the degree of related Inventory turnover indicators using` X` mark.

5=Strong agree 4=Agree3= Indifferent 2= disagree 1=Strongly Disagree

	Items for Comparison	before **privatized**					After **privatized**				
		1	2	3	4	5	1	2	3	4	5
1	Quality of product KMPF										
2	Durability of Products										
3	Diversity of Products										
4	Aesthetic feature of Products										
5	Products Serviceability										
6	Product Reliability										

Appendix 6
Questionnaires

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

<u>CUSTOMER SATISFACTION.</u>

Questionnaires to be filled by filled by the customers of KMPF plc Respondents

Dear respondents the purpose of this study is to assess the CUSTOMER SATISFACTION Volume level of private organization under the Thesis title "*ASSESSMENT OF POST PRIVATIZED COMPANY'S ORGANIZATIONAL PERFORMANCE: THE CASE OF KALITI METAL PRODUCT FACTORY",* in Addis Ababa; Besides, the study is intended to the partial fulfillment of *in fulfillment of Master of Business Administration degree*. Giving response to the questions may not take you more than 30 minutes. The Researcher also assures you that your individual response will be kept confidential. Therefore, you are kindly requested to reply the questions with much sincerely and honesty. The researcher thanks you in advance for your co-operation.

N.B:

1. You don't need to write your name.
2. The student researcher has scheduled to get the filled questionnaire back within three days.
3. KMPF stands for *KALITI MATAL PRODUCTS FACTORY.*

SECTION A

BASIC DEMOGRAPHIC DATA (PLEASE PUT "√ " IN SIDE THE BOX)

1. How long have you been working with your Company? ____________________

2. How long was your company a customer of KALITI MATAL PRODUCTS FACTORY

7- 10 years ☐ 11- 15 years ☐

16- 20 years ☐ 21 -25 years ☐ above 26 years ☐

SECTION B.

The following are some of questions that prepared on the potential related indicators to assess the level of KSM plc CUSTOMER SATISFACTION AND PRODUCT QUALITY in "THE *CASE OF KALITI STEEL MANUFACTURING PLC"*. Please rate the degree of related Inventory turnover indicators using` X` mark.

5=Strong agree**,** 4=Agree**,** 3= Indifferent,2= disagree **and** 1=Strongly Disagree

	Items for Comparison	before **privatized**					After **privatized**				
		1	2	3	4	5	1	2	3	4	5
1	Timely Delivery										
2	Customer Handling										
3	Response to Customer Complain										
4	Order acceptance										
5	Recognition of Regular Customers										

6	Openness and Responsiveness towards Inquires										
7	Price comparison with competitors										
8	Consistency in Improvement of Product Quality										

Appendix 7
Questionnaires

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

EMPLOYEE EFFICENCY

Questionnaires to be filled by the employees of KMPF plc Respondents

Dear respondents the purpose of this study is to assess the EMPLOYEE EFFICENCY Volume level of private organization under the Thesis title "*ASSESSMENT OF POST PRIVATIZED COMPANY'S ORGANIZATIONAL PERFORMANCE: THE CASE OF KALITI METAL PRODUCT FACTORY",* in Addis Ababa; Besides, the study is intended to the partial fulfillment of *in fulfillment of Master of Business Administration degree*. Giving response to the questions may not take you more than 30 minutes. The Researcher also assures you that your individual response will be kept confidential. Therefore, you are kindly requested to reply the questions with much sincerely and honesty. The researcher thanks you in advance for your co-operation.

N.B:

1. You don't need to write your name.
2. The student researcher has scheduled to get the filled questionnaire back within three days.
3. KMPF stands for *KALITI MATAL PRODUCTS FACTORY.*

SECTION A

BASIC DEMOGRAPHIC DATA (PLEASE PUT "√ " IN SIDE THE BOX)

1. How long have you been working with your Company? ____________________

2. How long was your company a customer of KALITI MATAL PRODUCTS FACTORY

7- 10 years ☐ 11- 15 years ☐

16- 20 years ☐ 21 -25 years ☐ above 26 years ☐

SECTION B.

The following are some of questions that prepared on the potential related indicators to assess the level of KMPF EMPLOYEE EFFICENCY in "THE *KALITI MATAL PRODUCTS FACTORY"*.

Please rate the degree of related Inventory turnover indicators using` X` mark.

5=Strong agree 4=Agree3= Indifferent 2= disagree 1=Strongly Disagree

NO	Items for Comparison	Before privatized					After privatized				
	Items for Comparison	1	2	3	4	5	1	2	3	4	5
1	The total volume of KMPF's products processes on daily base is high										
2	number of units/tone produced per hour was/is high										
3	KMPF work performance is Cost-Effectiveness										
4	KMPF develops its employees technical skills and efficiently by training .										
5	The avareg production process that KMPF demands was shorted.										
6	Product rejection rate of KMPF decrease.										

7	Punctuality of the KMPF's employees was highly increased.										
8	Time taken to respond customer order is short.										
9	The output produecedKMPF contributing to meet the company mission.										
10	Machine maintenance resulting in reduced unplanned downtime										