

## PROSPECT AND CHALLENGES OF MANAGEMENT CONTRACTING IN ETHIO-TELECOM SOUTH WEST BRANCH, ETHIOPIA

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### ABSTRACT

*Contracting out represents more explicit efforts to emulate the market in the management and delivery of public services, especially where outright privatization, i.e., change of ownership, has not been possible. The rationale for contracting out is to stimulate competition between service-providing agencies in the belief that competition will promote cost-saving, efficiency, flexibility and responsiveness in the delivery of services (Savas, 1989).. The study intends to investigate out the prospect and challenges of management contracting in south west ET (Ethiopian Telecom) branches. To carry out this study structured questionnaire and interview have been used to gather data from respondents Therefore, one hundred four(104) subjects were involved as a sample for the questionnaire survey. Besides, a stratified sampling technique has been used to distribute the sample proportionally to the two strata (groups). That is, the management and non-management employees of ET at southwest Ethiopia. After the data is collected, it is edited, coded and finally, analyzed by using SPSS(statistical package for social scientists) software. Though Ethio-telecom has launched the development of more enterprise specific products and made tremendous achievement in accessibility, but gaps like raising the level of employees' awareness, lack of quality telecom services, and giving less emphasis to employees' job security are some of the bottlenecks in implementing the new management system. Therefore it is advisable for the organization to raise the level of employees' awareness through continuous training and installing advanced technologies in order to alleviate the quality of telecom services.*

### INTRODUCTION

Contracting out refers to the out-sourcing or buying in of goods and services (e.g., information technology and management services) from external sources instead of

providing such services in-house (Walsh, 1995; OECD, 1993a). Contracting out represents more explicit efforts to emulate the market in the management and delivery of public services, especially where outright privatization, i.e., change of ownership, has not been possible. The rationale for contracting out is to stimulate competition between service-providing agencies in the belief that competition will promote cost-saving, efficiency, flexibility and responsiveness in the delivery of services (Savas, 1989). It also reduces the areas of discretionary behaviour for individuals and groups in an organization and imposes discipline that results in improved performance (Israel, 1987). Thus, as Metcalfe and Richards (1990) have pointed out, contracting out puts competitive market forces directly at the service of government.

Contracting out may take the form of management contracts where government transfers to private providers the responsibility for managing an operation. That is, buying in management. Under this arrangement, assets are retained by the government, but the responsibility for managing and operating these assets is contracted out to a private firm. This would increase the autonomy of management and minimize the risk of political interference in the day-to-day operations of the public organization (World Bank, 1994). Therefore, the study is conducted on Ethio-Telecom, that has been dealing with management contracting.

## STATEMENT OF THE PROBLEM

Nowadays Ethio-Telecom is undertaking management contracting, that is, buying in management. Under this arrangement, assets are retained by the government, but the responsibility for managing and operating these assets is contracted out to a private firm. This would increase the autonomy of management and minimize the risk of political interference in the day-to-day operations of the public organization (World Bank, 1994). Although contracting out is not new to management in government, what is new is the extension of the practice to activities that have traditionally been carried out by in-house bureaucratic arrangements. As contracting out becomes more widespread in public sector organizations in developing countries, the difficulty of managing a network of contracts and subcontracts becomes more apparent. The expected improvement of performance in contracting out will depend, first, on the appropriate choice of form of contract, and then on effective management of contractual relationships (Metcalfe and Richards, 1990). It is possible that many of the managerial problems that contracting out is supposed to eliminate or minimize through sloughing off the employment relationship would recur in an inter-organizational context in contract management, and these may be more acute in developing countries, another possible barrier to successful contracting out is the fear that in-house staff may lose their positions and competence, becoming demotivated and resisting change.

Despite the changes that were taken place in the corporation, still there are some chaos both in the side of employees and customers. This opens a room of desperate. Therefore, taking in to account changes introduced by Ethiopian Telecommunication Corporation especially in line with management contracting, the researchers want to respond the following basic research questions.

1. What are the most important factors that instigate the Ethio-telecom to undertake changes especially in line with management contracting?

2. What are the opportunities and challenges the Ethio-telecom encounters being undertaking changes?

### **OBJECTIVE OF THE STUDY**

The General objective is to investigate out the prospect and challenges of management contracting in some selected Ethio-telecom branches.

### **REVIEW OF LITERATURES**

#### **Contracting Out**

As part of the efforts reconfigure state-market relations in order to give more prominence to markets and the private sector, contracting out of the provision of public services is increasingly advocated in crisis states. Contracting out refers to the out-sourcing or buying in of goods and services (e.g., information technology and management services) from external sources instead of providing such services in-house (Walsh, 1995; OECD, 1993a). It involves legal agreement, but this is for the supply of goods or the provision of services by other actors. Contracting out represents more explicit efforts to emulate the market in the management and delivery of public services, especially where outright privatization, i.e., change of ownership, has not been possible. The rationale for contracting out is to stimulate competition between service-providing agencies in the belief that competition will promote cost-saving, efficiency, flexibility and responsiveness in the delivery of services (Savas, 1989). It also reduces the areas of discretionary behavior for individuals and groups in an organization and imposes discipline that results in improved performance (Israel, 1987). Thus, as Metcalfe and Richards (1990) have pointed out, contracting out puts competitive market forces directly at the service of government.

Contracting out is regarded as the most common market-type mechanism (MTM) (Walsh, 1995), and it is the best documented of the MTMs (OECD, 1993a). While contracting out is not fundamentally new to the public sector, there have been considerable efforts, in recent years, to extend the scope of its application to a wider range of public organizations and activities than before in both developed and developing countries. In the United Kingdom, for example, the Competing for Quality (Market Testing) Initiative (1991) required agencies to open up many of their functions to competition from the private sector or other public sector contractors. In sub-Saharan African countries undergoing structural adjustment, policy prescriptions have included outright privatization, contracting out, deregulation to allow private sector participation, decontrol of prices and liberalization of trade.

### **THE RESEARCH METHODOLOGY**

To meet the main objective of the study, which is to evaluate the implementation of the reforms in Ethiopian Telecommunication Corporation, structured questionnaire and interview guides have been used to gather data from respondents. Gay (1981 cited by Getachew H.M and Richard C. 2006) points out that the minimum number of subjects believed to be acceptable for a study depends upon the type of the research work involved. For descriptive survey research, a sample of 10% of the population is considered minimum; for a smaller population 20% may be required. Therefore, 20% of subjects have been considered as a sample for the questionnaire survey. Accordingly 130 respondents have been

chosen, out of which 104(80%) questionnaires were returned back. Therefore, based on this returned back questionnaire and conducted interview that the following analysis is done.

## RESULT AND DISCUSSIONS

The Ethio-Telecom has introduced the management contract in the past two years. Hence this study has been conducted to assess the prospect and challenges of business process reengineering in line with management contracting. Hence it was 130 (one hundred and thirty) Questionnaires that have been distributed to employees of south west Ethio-Telecom, out of which 104(80%) questionnaires were returned back. Therefore, based on this returned back questionnaire and conducted interview that the following analysis is done.

### Drivers of Change

Change management is about moving from one state to another, specifically, from the problem state to the solved state (Jung, 2001). But, the organizational terminology for change management can be varied and 'change' may be used under different terms. Eg. When a company talks about re-engineering, restructuring, promoting cultural transformation, or keeping pace with the industry, then it is talking about change. Lewin, 1951, conceptualized that change can occur at three levels: Change in the individuals who work in the organisation – that is their skills, values, attributes, and eventually behavior

Accordingly, a pool of enquiries was forwarded to the respondents to assess why Ethio - Telecom has been introduced change. Hence their responses is analyzed in the following fashion. Here it is worth to notice that the mean result greater or equal to 2.50(>2.50) depicts high favorable, 2.0-2.49 depicts favorable and less than two (< 2.0) is unfavorable.

**Table 1.** Drivers of Change

Items	Mean	Standard Deviation
Complaints of customers	2.23	.803
Advancement in technology	2.65	.679
Reducing cost of offering services	2.02	.914
The need to generate more profit	2.62	.741
The need to use resources effectively and efficiently	2.52	.776

As per the above table, items such as advancement in technology, the need to generate more profit and the need to use resources effectively and efficiently which endow a mean score of 2.65, 2.62 and 2.52 respectively, that depict high drivers to introduce change in Ethio-telecom. In addition to this the focus group discussions held along with officials illustrates that the need to fulfill customers requirements is the other pressure that obliges the organization to introduce changes, of course, it is possible to conclude that coping with the dynamism of the day is a function of introducing changes in organizations. In line with this, different researches depict that: Change is mostly driven by circumstances and always takes place with a particular goal in mind. Some of the common drivers of change are, to keep pace with the changing environment, to beat competition, technological changes to improve process efficiency etc. No matter what the driver for change is, the goal of the whole process is to lead the organisation into a future state which is different from the current state under which the organisation operates. (Nicols, 2006)

### Changes in the Major Function

It is widely believed that the way an organisation adapts to change is fundamental to its success. In an ever increasing competitive environment, change is ubiquitous (everywhere) and the way employees respond to change (resistance/acceptance) has been identified to play a vital role in the change management process. Managing organisational change requires more than reengineering and restructuring systems and processes. It requires managing the human responses that accompany any organisational change (Darwin et al., 2002)

When an organization introduces changes no doubt that there are some changes in the major function. The following table illustrates the changes made in the major functional areas of the organization.

**Table 2.** Changes in the Major Function

Items	Mean	Standard Deviation
Automation	2.92	.268
Service expansion in the region	2.38	.840
Employees' perception on newly introduced management system	1.77	.895
Degree of delegation in decision making	1.75	.879
Perception towards the new structure	2.04	.762

In line with the above results there is a favorable responses in the area of automation and service expansion in the region. Whereas there are some gaps (unfavorable responses) in the areas of raising the awareness of employees towards on newly introduced management system and degree of delegation in decision-making. Of course, it is justified by the focus group discussion made.

There, despite the introduction of new technologies and services by the organization, still there is a gap in employees' perception on newly introduced management system and degree of employees' delegation in decision-making. Hence this in turn results in lack of mutual understanding in between management and employees. Therefore; if no consensus is made in between them, it is difficult for the organization to enhance changes. Hence it is advisable for the organization to raise the level of awareness of its employees. According to Lewis (2000b)'s research findings, the most frequently noted categories of problem encountered by the company in transition are "communicating vision" and "negative attitudes." If an organization's management does not consider which communication behaviors it wishes to foster for its success, the signals it sends to employees may be inconsistent or counterproductive

### Extent of Utilization of Change

During the change implementation process, the leader should play a key role, firstly, in the identification of the changes necessary to produce the required outcomes and then to put an implementation process in place to bring about those changes. Champy (2005) believes that the leader is the one responsible for the how, what and why of the change process. It is the leader who should be responsible for identifying how the changes can be effectively

implemented with least resistance from employees by taking into consideration the organization structure and culture. The following table illustrates the case.

**Table 3.** Extent of Utilization of Change

Items	Mean	Standard Deviation
Use of multi-functional teams	2.00	.836
Use of new procedures, rules and regulations	2.54	.847
Use of new IT (Information technology, systems to support the new processes	2.81	.396
Support scheme to staff speaking out when ethics, standards, or codes of practice are violated	2.27	.815
Performance related pay scheme	1.85	.868
Old rituals and routines were ended and new ones established	2.23	.850
Advisory staffs are actively involved in the newly introduced management system	2.27	.862

As it is seen in the above tables there are favorable responses such as use of new IT system, utilization of new procedures, rules and regulations, involvement of advisory staffs and to some extent getting rid off old rituals. But the pay system is not performance related. The focus group discussion justifies that the payment of employees is somewhat retarded in the newly introduced changes. That is, employees' salary and wages do not get increments. This even desperate them to with stand the inflation of the day. Hence it is possible to conclude that, though payment does not mean an end by itself to motivate employees, it might be a means to end. Therefore it is advantageous for the organization to install performance related pay to its employees to energize their competitiveness. Bringing about major change in a large and complex organization is a difficult task. Policies, procedures and structures need to be altered. Individuals and groups have to be motivated to continue perform in the face of major turbulence. It is not surprising, therefore, that the process of effectively implementing organizational change has long been a topic that both managers and researchers have pondered (Nadler, cited in Mabey and Mayon-White, 2003).

## **Challenges and Opportunities of Management Contracting**

### **Opportunities**

Ethio- telecom has shown good achievements in the development of new products and tariffs, trouble ticket resolutions and expansion of customer base to around twenty million in just few years. For enterprise customers Ethio-telecom has launched the development of more enterprise specific products and services like business mobile services which are more suited to the needs of enterprise customers, business mobile machine to machine business solution and other updated products have been come in to being. Furthermore, the company has undertaken the recruitment of several sales executives in the regional offices to serve the enterprise customers more closely. Also, training and capacity building programs were offered to sales staffs to improve customers handling and service provisioning. In terms of

accessibility the company has been made tremendous achievements, that is, improvement is made from eight percent (8%) to twenty five percent (25%), (<http://www.Ethio telecom.et>)

## Challenges

On the other, the company has also faced bottlenecks. These are: existing quality problems, that desparate its customers, less degree of employees participation in decision-making, employees' resistance to change due to lower level of awareness about the on going changes,

Currently in some areas the company is facing congestion, lack of coverage, lack of bandwidth availability, which requires quick solutions.

Hence from the above paragraphs, it is possible to conclude that the company is doing its level best to increase accessibility though there is a gap in maintaining quality services. Furthermore, the existence of communication gaps in between management and employees results in lack of mutual understanding in between them, hence tackles the company from achieving its goals.

## CONCLUSIONS

Management contract is the execution and monitoring of the purpose of maximizing financial and operational performance and minimizing risks. It is another part of the sourcing process that can bring a number of benefits to the organization, such as saving a considerable amount of time minimizing costs. Hence introducing management contract in Ethio- telecom was aiming at in fulfilling customer requirements, advancement in technology, maintaining efficiency and effectiveness. Furthermore, focusing on attractive telecom markets, improving current service quality are some of the strategies that ensure success of change. Accordingly, Ethio- telecom has shown good achievements in the development of new products and tariffs, trouble ticket resolutions and expansion of customer base to around twenty million in just few years. The company has undertaken the recruitment of several sales executives in the regional offices to serve the enterprise customers more closely. Also, training and capacity building programs were offered to sales staffs to improve customers handling and service provisioning. Despite all these, still there are some gaps in raising the level of employees awareness, problems in participating employees in decision- making, fail to pay adequate salary to employees, and giving less emphasis to employees job security are some of the bottlenecks in implementing the new management system. Currently in some areas the company is facing congestion, lack of coverage, lack of bandwidth availability, which requires quick solutions.

## RECOMMENDATION

The common drivers of change are to keep pace with the changing environment to beat competition, technological change, to improve process efficiency, etc. Hence it is advisable for the organization to revise the way it renders its services to customers.

Maximizing revenue could be sustainable if and only if consensus is reached in between management and employees. That is advocating the so called 'mental revolution. Therefore, it is advisable for the organization to raise the level of awareness of its employees.

Change is mostly driven by circumstances and always takes place with a particular goal in mind. Hence Ethio-telecom has introduced mainly the need to use resources effectively and

efficiently in order to cope up the dynamism of the day. Hence it is advisable for the company to maintain the morale of its employees through paying adequate salary, let them participate in decision-making etc. so that conducive organizational climate is going to be established.

Rendering quality telecom services demands inducement of better bandwidth and improving thenetwork coverage etc. Therefore it is advisable for the company to invest more capitals in order to upgrade its services.

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