Doctoral Thesis

Strategic Change in a Developmental State Context: An Organizational Justice Theory Perspective (OJTP)

Strategy Reorientation in Ethio Telecom and Commercial Bank of Ethiopia

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Dedication

Dedicated to my mother, Demeketch Fetene Ayele, whom I lost while pursuing my PhD due to call of nature! I will always remember you for making me who I am today. Rest in peace!

Abstract

The central purpose of this dissertation is to investigate *how strategic change unfolds in a developmental state context* by studying its *content-process-context* dimensions and applying an organizational justice perspective with the dimensions of '*distributive, procedural* and *interactional'* justice. As strategic change is characterized by high contextuality, context-dependent knowledge contribution is at the heart of this dissertation given the time and place interaction. Despite the attention that strategic change has received in the strategy research domain, I contend here that there exists a missing-link in understanding aspects of organizational justice related to how the strategic change process is exercised and its influence on important outcomes.

Relying on two phenomenal cases from two case organizations; the metamorphosis of Ethiopian Telecommunications Corporation into Ethio Telecom, and the absorptive merger of Construction and Business Bank with Commercial Bank of Ethiopia, and triangulating data collection techniques: semi-structured interviews, personal observation and secondary documents, this revelatory multiple case study contributes to a deeper understanding of strategic change and the contextual application of organizational justice theory. It rejuvenates organization justice theory and extends the '*content-process-context'* perspective by adding *impact* as a fourth dimension.

I have developed a contextually anchored model of *developmental strategic change* since the strategic changes made have been triggered by the developmentalist orientation of the Ethiopian government to advance the national economy. It illuminates how the process of strategic change implementation in this context is affected by the presence or absence of organizational justice. It is also found that in a developmental state context, the intervention of the government is so high that strategic changes are ignited by developmental episodes of the local government. My thesis clearly shows the inseparability of national development strategy and organizational strategies for state-owned developmental enterprises. It also elucidates how *'institutional duality'* (that is, between the developmental objective as a public enterprise and the profit seeking as a business) hurts the strategic competitiveness of Commercial Bank of Ethiopia and Ethio Telecom. This goes to the extent of goal ambiguity leading to killing of identity via absorption of the then Construction and Business Bank.

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Acronyms and List of Abbreviations

AC = Alternate channel

ATM = Automated teller machine

BPR = Business process reengineering

BSC = Balanced scorecard

CATS = Customer accounts and transactions

CBB = Construction and Business Bank

CBE = Commercial Bank of Ethiopia

CEO = Chief executive officer

CN = Commercial nominees

COO = Chief operations officer

CP = Credit process

CPC = Credit processing center

CRM = Customer relationship management

CXO = Chief – "X" - officer

DBE = Development Bank of Ethiopia

DC = Direct channel

DIJ = Distributive injustice

DJ = Distributive justice

DS = Developmental state

IDC = Indirect channel

IIJ = Interactional injustice

IJ = Interactional justice

EBC = Ethiopian Broadcasting Corporation

E-CAF = Electronic customer acquisition form

ERP = Enterprise resource planning

ET = Ethio Telecom

ETC = Ethiopian Telecommunications Corporation

eTOM = Enhanced telecom operations map

FCY = Foreign currency

FDI = Foreign direct investment

FIC = Financial intelligence center

FT = France Telecom

HR = Human resource

HRD = Human resource development

HRM = Human resource management

HSB = Housing and Saving Bank

ID = Identification number

IFRS = International financial reporting standards

IS = Information systems

IT = Information technology

IXM = Import-export marketing

KPI = Key performance indicator

LC = Letter of credit

MCIT = Ministry of Information and Communication Technology

M&A = Mergers and acquisitions

M&E = Monitoring and evaluation

M2M = Machine to machine

PMO = Program management office

PMS = Performance management system

NBE = National Bank of Ethiopia

NGN= Next generation network

NGOSS = Next generation operation support system framework

NPL = Non-performing loan

OJ = Organizational justice

OJT = Organizational justice theory

OSM = Office of strategy management

PDP = Personal development program

PFEA = Public financial enterprises agency

PIJ = Procedural injustice

PJ = Procedural justice

POS = Point of sale

PSTN = Public switched telecommunications network

RM = Relationship manager

ROI = Return on investment

SDT = Standard delivery time

SIDA = Swedish Development Agency

SIM = Subscriber identity module

SIP = Strategy, infrastructure and product

SOEs = State owned enterprises

TEP = Telecom expansion project

TEXA = Telecom excellence academy

tmforum = International telecom operators' forum

TMT = Top-management-team

TOR = Terms of reference

TPO = Transformation program office

TS = Trade service

T24 = Core banking software system

UNDP = United Nations Development Programme

VPN = Virtual private network

VSAT = Very Small Aperture Terminal

WTO = World trade organization

ZTE = Zhongxing Telecommunication Equipment

***"Justice, Sir, is the greatest interest of man on earth*" - Daniel Webster (1845)**

Chapter 1: Introduction

1.1 Background

How does strategic change unfold in a developmental state context? This is the central question that this thesis addresses in understanding contextually anchored knowledge thus complementing the current predominantly western literature. It does so by analyzing strategic changes in two developmental state corporations. Strategic change can be understood in terms of its “process, content and context” (Pettigrew, 1987: 568). Process refers to how the change occurs; content describes what changes happen in an organization; and context refers to where and why the changes occur, implying the condition or situation in which the changes occur (Greve, 2010). “Where we sit not only influences where we stand, but also what we see” (Pettigrew, 1987:649). This points to the need of a contextual analysis while studying strategic change in any organization and/or industry.

In terms of a developmental state context, currently we are witnessing an emerging conjugation of corporate strategies and politico-economic circumstances, especially in developing countries (Dufy & Sindzingre, 2016), that is, strategic changes in state-owned corporations are directly linked to political strategies of those who are in power in these countries. This concept is characterized by the ‘developmental state’ ideology propagated mostly in developing nations (Uttam, 2006). According to Dufy and Sindzingre (2016: 69), “[t]he concept of developmental state refers to a regime where economics and politics cannot be dissociated. Since the 1980s, the development strategies adopted by many emerging countries have gone against ‘*orthodox’* policies and been subsumed under the concept of the developmental state.”

Broadly defined, “[d]evelopmental ideology is a deliberate strategy used by either underdeveloped or developing countries to develop themselves” (Uttam, 2006: 257). Connected to this developmentalism are the competitive disparities between private and public commercial banks as well as the telecom industry in the area of strategic change moves in Ethiopia. As a developmental state, political leaders who are in power in Ethiopia interfere at every step of the strategic changes that giant public development enterprises embark on. Hence, how strategic changes unfold in such a developmental state context deserve closer research attention.

Scholarly attention is increasingly shifting to the contextuality and process of how strategic changes unfold in different organizational and institutional settings. One of the most pertinent debates in strategic change literature deals with ‘how’ and ‘why’ organizations change their strategies (for example, Rajagopalan & Spreitzer, 1996; Van de Ven & Scott, 1995). Some researchers have taken an objectivist stance of content and done antecedent analyses of the strategic changes. A processual perspective of strategic change research was advocated by Pettigrew (1992), Van de Ven (1992), and Dawson (2005). Kappler (2007:51) argues that “most process studies concentrate on the organizational level, organizational populations, and the entire processes” (also see, Pettigrew, 1985). Thus, processual methods can capture the multiplicities of a change in a strategy. That is, “a processual or contextual perspective of change recognizes the dynamics of change by including historical and contextual variables, as well as processual dynamics” (Kappler, 2007: 5).

Literature on strategic change has been dominated by the ‘rational, learning and cognitive’ lenses. The rational lens only offers knowledge accumulation on the subject because of its theoretical and methodological rigidities; this is indicated by many researchers (for example, Ginsberg, 1988; Pettigrew, 1985; Rajagopalan & Spreitzer, 1996; Van de Ven & Scott, 1995). However, these studies neglect managerial processes, actions, cognitions, attitudes, sense-making and sense-giving, and political processes during strategic change even though these are inseparable from the process. In addition, though the learning perspective looks at processes, it suffers from a lack of theoretical and methodological clarity in isolating intuitive managerial actions from changes in the strategy’s content. Put simply, managers’ actions are taken as the means and the ultimate end (Rajagopalan & Spreitzer, 1996) of a change in strategy.

The cognitive lens perspective also comes with some limitations, including difficulties in assessing cause-effect relationships; dependence on retrospective sense-making of complex past processes resulting in attributional biases; memory lapses; subjectivity in the use of retrospective data; and exclusion of economic aspects in a strategic change (Rajagopalan & Spreitzer, 1996).

Though general strategic change literature acknowledges other perspectives, its focus remains on the western state context. However, we cannot assume that these insights also hold for the developmental state context. Thus, the dynamic nature of strategic change and its consequences for a developmental state context are underplayed. Further, “change is about changing people, not organizations" (Balogun, 2001:2). It needs to be recognized that employees are an intrinsic part of the change process. So, an in-depth investigation of the process aspect of a strategic change is of paramount importance, especially in the context of developing countries where there is scant literature in the area. Tsoukas and Papoulias (2005:79) claim that, "to understand the management of strategic change, organizations must be situated in their broader institutional contexts. Their work focuses on 'state-political firms,' companies owned or heavily influenced by the state and operating in state-dominated business systems. Managing change in such firms is highly recursive in that organizational change involves simultaneous change to the broader institutional environment and the firm becomes both the focus of change and a medium for broader cultural change."

Mann and Berry (2015) add that the current 'discourse' in the World Bank, the United Nations Development Program (UNDP), and the UN Global Compact increasingly stresses on business-oriented thinking, where the growth of state-owned developmental enterprises is an indicator of a business orientation. Many have looked at the rapid development of Japan, South Korea, Singapore, and Taiwan for clues related to strategic changes in a developmental state. However, "these developmental states were characterized by the capacity to deflect political capture and to forge cooperative relationships with private sector groups, an arrangement that has been described as a felicitous combination of autonomy and embeddedness" (Mann & Berry, 2015: 8). By the same token, Ethiopia is cited as an emerging African developing state which has simultaneously promoted the private and public banking industry while monopolizing the telecom sector (Mann & Berry, 2015). In the Ethiopian context, an unsettled gap exists which begs an investigation of two current strategic changes – the merger of the Construction and Business Bank with the Commercial Bank of Ethiopia and the strategic transformation of the Ethiopian Telecommunications Corporation to Ethio Telecom.

This dissertation focuses on the strategic change processes taking place in telecom transformation (which took two years and six months) and the absorptive merger (a 90-day project) as the units of analysis. Despite the voluminous research on strategic change, I contend that there are large ambiguities and roadblocks in conceptualizing the actual sources of change and how the processes unfold in a contextual manner. The theoretical gaps that I identify from a systematic literature review include excessive concentration of strategic change research on a single type of economic actor - the conventional firm -- ignoring firms situated in a developmental state context and uncontextualized strategic change process research which ignores the time and place dimensions. Besides, existing research pays scant attention to the differing institutional contexts of firms, especially in the non-western context. Thus, they do not explore variations in how strategic change processes occur and their influence on important outcomes. My research enables an analysis of these phenomena in their temporal and local particularities using a theoretical lens – the *organizational justice theory*. The focus of my study is an analysis of *content-process-context* as the main dimensions of strategic change (Pettigrew, 1987) from an organizational justice perspective with its *distributive, procedural, and interactional* justice dimensions in an emerging developmental state.

1.2 Setting the context

Contextually, as an independent and sovereign country Ethiopia successfully defended its autonomous state-ship from vanguard colonizers. It is now witnessing the rapid transformation and modernization of many of its institutions. This trajectory was triggered by the propagation of state-led developmentalism in every spectrum of the nation's economy and sectoral establishments. Thus, the central targets of transformation and strategic metamorphosis were its giant public corporations which were mandated with the dual responsibility of serving the public and financing the country's development endeavors with their profits. Given the strategic interventions in such public development enterprises, this dissertation focuses on two giant public corporations – the Commercial Bank of Ethiopia (CBE) and Ethio Telecom (ET) as case studies. The two corporations have undergone a remarkable strategic metamorphosis in the near past which was triggered by the developmental motive and wish of the government and internal stakeholders. This strategic posturing and morphism are now becoming a benchmark for other companies in the private sector in the country.

After the government's developmental state-oriented liberalization and privatization efforts the banking industry in Ethiopia is currently facing several strategic changes with potentially significant consequences. The Government of Ethiopia has embarked on several reforms to improve the efficiency and competitiveness of the banking and telecom sectors. The key provisions of these reforms in Ethiopian banking services were mainly tailored at expanding customer access, improving efficiency, and encouraging competition. Among the observed strategic changes are speedy rate of branch expansion; rapid adoption of new technologies; increase in innovative and value-adding bank products; increase in the number of market actors; diversification of businesses; process re-engineering; saving mobilization for house construction;[1] provision of on-line banking services; implementing the core banking system; attracting different customer segments; and acquisition of talent from the labor market. Similarly, the telecom sector has also undergone a radical transformation since 2010 to provide world class telecom services as demanded by the government. During this transformation process and as evidenced in empirical data presented later in this thesis, there were many ups and downs like massive retrenchment of employees and the reappointment of a few to some posts. There was also aggravated public badmouthing. Hence, it is relevant to capture the perceived organizational justice of embarking on such a strategic metamorphosis since the processes were subject to different interpretations by employees and outside stakeholders.

Strategic change interventions (transformation of ETC and CBB' merger with CBE) are expected to mainly be in the areas of people, technologies, and structures following a strategy of reorienting the case corporations. The government took the inescapability of disturbing the inherent strategic complacency and corporate rigidity that were the mantras of the corporates' accultured employees seriously. Ethio Telecom (then ETC) embarked on a multi-million euro transformation project orchestrated by the well-known and world class telecom service operator, Orange Company of French Telecom in 2010. The transformation was mainly a strategic shift or reorientation accompanied by restructuring, employee redeployment, cultural break-up, and a technological revolution. All these were meant to address the other sectors of the national economy through a monopolistic, vibrant, and modern telecom service operator with a world class vision.

In a similar vein, as a giant and state-owned commercial bank, the Commercial Bank of Ethiopia underwent a shift in its strategy from a slow-moving low-tech bank to an innovative and leading commercial service provider after its absorptive merger with another state-owned bank, the Construction and Business Bank of Ethiopia (CBB). Currently, the bank is the backbone of the

[1] Condominium houses of different sizes constructed via a periodic deposit to CBE and long-term borrowing arrangements given by the bank to contractors.

Ethiopian economy as it finances projects that have a national development agenda as their core emphasis. The bank, though a financial intermediary, is pursuing the dual responsibility of reaching the unbanked in the country and also playing a financial intermediation role.

Overall, this thesis takes the developmental state context as a lee-way for analyzing the strategic change phenomena in the case corporations for improving our understanding.

1.3 Purpose statement and research questions

The primary purpose of this dissertation is exploring strategic change in a developmental state context by focusing on the triple strategic change dimensions: '*content, process, and context'* as proposed by Pettigrew (1987). Theoretically, this is analyzed from an organizational justice perspective by juxtaposing processual justice in terms of procedural, interactional, and distributive aspects. Another purpose of this dissertation is developing a contextualized and indigenous model of strategic change processes based on the strategic change processes of ETC's transformation and CBB's merger with CBE.

The central research question is: *How does strategic change unfold in a developmental state context?* This thesis addresses this question and the following sub-questions:

1. What were the contextual antecedents/drivers of merging CBB with CBE and the transformation of ETC?
2. How did the strategic change processes unfold in a developmental state context as represented by the cases of CBE and Ethio Telecom (ET)?
3. How were coordination and transition issues managed as the case organizations moved ahead with reorienting their strategies?
4. How did interactional, procedural, and distributive aspects of organizational justice influence the strategic change processes?
5. How were the processes of strategy reorientation managed and led by change leaders in the two case companies?

1.4 Significance and intended contributions

Strategic change as a topic of interest is characterized by a high degree of contextuality. Therefore, given the time and place interactions in Ethiopia during its attempted transition into a developmental state, contributing to context-dependent knowledge is at the heart of this dissertation. In particular, this dissertation sheds light on contextual issues of strategic change processes taking place in a commercial bank and a telecom company in a developing state, as to date we know little about whether our understanding of the linkages between antecedents of strategic change and the strategic change processes hold in a non-western context. A comprehensive study of the dimensions of *content-process-context* in an emerging developmental state context guides the key expected theoretical contribution of this thesis of developing an indigenous model of strategic change processes.

Prior research on strategic change has often focused on rational, learning, and cognitive perspectives, that is, the connection between antecedents and outcomes of strategic change are analyzed rationally using prescribed steps, where managers are found developing strategies in accordance with their learning from their dynamic environment; and there is an emphasis on strategic change being a result of managerial cognitions (Rajagopalan & Spreitzer, 1996). Hence, previous studies on strategic change have largely marginalized the issue of organizational justice in relation to implementing strategic changes in different contexts. However, our knowledge about strategic change will not be complete without incorporating emerging realities in organizational justice as connected to a developmental state context. For example, “as globalization and modernization cut everywhere deeper into existing social fabrics and give rise to new social patterns, new hopes, new aspirations, new institutions and new authority structures, basic conceptions of social and industrial justice naturally come under review, are challenged (and sometimes exploited) and eventually are changed to define a new order” (Meindl et al., 1994: 198). Thus, concerns about justice in relation to strategic change appear to be highly relevant for studying today’s organizations.

1.5 Definition of concepts

The concept of strategic change can be interpreted and understood from different perspectives. I define and operationalize the concept from a strategic metamorphosis perspective (that is, a major strategy reorientation) by way of an organizational transformation (in the case of ET) and an absorptive merger (between CBE and CBB). Pettigrew (1985) proposed that change should not be considered only in terms of its processes, but should also be seen in the historical, cultural, and political features of an organization. His model reveals continuous interactions between the context of the change, the process of the change, and the content of the change. He conceptualized context as 'why' and 'when' of change and treated it having both an outer context and inner context. His model is useful in understanding the complexities of strategic change.

Definitions of strategy have been subject to debate on whether strategy constitutes those actions which are 'planned', or those which are 'realized' (Mintzberg & Waters, 1985). "Strategy is realized in practice through consistency in a stream of actions and decisions over time" (Pettigrew, 1985:438). According to Park (2007), strategy is described variously as "finding positions in the industry where competitive forces are weakest" (Porter, 1979); "creating a unique and valuable position ideal for each firm" (Porter, 1996); or "balancing competitive posture between differentiating and conformity pressures" (Deephouse, 1999).

According to Hutzschenreuter et al. (2012:731), "one of the most widely shared assumptions in strategic management literature is that strategy determines the fit, or match, between a company and its environment" (also see, Zajac, Kraatz, & Bresser, 2000). According to Loo (2015:10), "strategic change can be defined as the difference in the form, quality, or state in an organizational entity over time that alters the company's alignment with its environment" (also see Rajagopalan & Spreitzer, 1996; Van de Ven & Poole, 1995). In this definition, strategic change is conceptualized as a core phenomenon since it determines the strategic existence of a firm aligned with the changing environmental contingencies (Bloodgood & Morrow, 2003; Haleblian & Rajagopalan, 2005). Rajagopalan and Spreitzer (1996) argue that changes in the company-environment alignment encompass either direct changes in the company's strategy or changes in the company that will ultimately lead to the initiation and implementation of changes in strategy. In other words, change that does not ultimately result in a change in the company's strategy is not strategic change.

"Furthermore, strategic change may be in the form of a single activity, repeated activities, or single activities that influence each other" (Hutzschenreuter et al., 2012:731; also see, Ancona, Okhuysen, & Perlow, 2001). More to the point, "strategic change or transformation is descriptive of magnitude in alteration in, for example, the culture, or strategy, arid structure of the firm**,** recognizing the second order effects, or multiple consequences of any such changes" (Pettigrew, 1987: 668).

Concepts of change and strategic change can be interpreted and understood from different perspectives. This dissertation discusses the strategic change construct by focusing on its content-process-context dimensions which are analyzed from an organizational justice perspective with its procedural, distributive, and interactional justice dimensions.

1.6 Dissertation's structure

This dissertation has seven chapters:

Chapter 1: Introduction – This chapter presents a bird's eye view of the dissertation and explains the gaps that it addresses. It introduces the theoretical background; the contextual setting, relevance, and intended theoretical contributions; purpose statement and research questions; and the definitions of the central concepts used in the thesis.

Chapter 2: Theoretical Framework and Literature Review – This chapter focuses on what is known from existing research and what is not known and is hence explored in this thesis. It encompasses a comprehensive review of existing works on strategic change focusing on the content, process, and context dimensions as well as the organizational justice theory as a theoretical lens for guiding the dissertation.

Chapter 3: Method – This chapter gives a concise explanation of the philosophical approach, the research method, the research approach, methods of data collection and the ways of interpreting the empirical material.

Chapter 4: Findings and Analysis of the Ethio Telecom case– This chapter gives the empirical findings for the first case – Ethio Telecom. It does a detailed thematic and within-case explanation of the transformation of Ethiopian Telecommunications Corporation to Ethio Telecom. The analysis follows a process approach along the phases of development.

Chapter 5: Findings and Analysis of the CBE and CBB merger case – This chapter is devoted to phase-wise discussions and analyses of the absorptive merger of CBE and CBB based on empirical results.

Chapter 6: Discussion – This chapter provides an in-depth theoretical discussion on the strategic changes in both the cases. The aggregate dimensions (constructs) of the absorptive merger and corporate transformation cases are discussed using a theoretical lens for developing the contributions and implications of this thesis. Besides, the chapter also includes the proposed contextualized theoretical framework of strategic change.

Chapter 7: Conclusions and Future Research Directions – The last chapter summarizes the conclusions of this study and outlines its theoretical contributions. It also proposes some future research directions and the potential practical policy implications of its findings.

Chapter 2: Theoretical Framework and Literature Review

This chapter starts by presenting Pettigrew's strategic change triangle after which it discusses specific sub-topics related to its '*content-process-context*' dimensions. It also introduces the theoretical lens that guides this dissertation.

2.1 Strategic change: A processual perspective

Strategic change can be discussed in terms of its "process, content and context" (Pettigrew, 1987: 568). "Where we sit not only influences where we stand, but also what we see" (Pettigrew, 1987:649). This emphasizes the need for a contextual analysis while studying strategic change in an organization and/or industry. One of the most pertinent debates in strategic change literature deals with 'how' and 'why' organizations change their strategies (for example, Rajagopalan & Spreitzer, 1996; Van de Ven & Scott, 1995). Some researchers have taken an objective stance of the content and antecedent analyses of strategic change. In contrast, Pettigrew (1992), Van de Ven (1992), and Dawson (2005) advocate a processual perspective on strategic change research. The processual view of strategic change was mainly pioneered by Pettigrew (1987) and has evolved over the last three decades. Pettigrew pointed at three key elements of strategic change in his processual view of the strategic change domain. These are the '*content'*, '*process'* and '*context'* (see Figure 2.1).

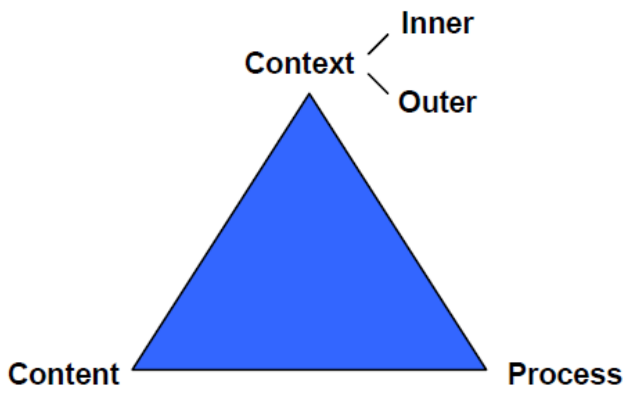

Figure 2.1: Processual framework (Pettigrew, 1987:657)

According to Pettigrew (1987), the *'content'* dimension indicates the *'what'* of strategic change, which relates to the object that changes. The content dimension implies the actual changes, such as strategy reorientation, restructuring, process re-engineering, downsizing, and amalgamation or mergers which are going to be institutionalized via the process and context dimensions. The *'process'* dimension "refers to the *how* of strategic change. The process of change refers to the actions, reactions and interactions from the various interested parties as they seek to move the firm from its present to its future state" (Pettigrew, 1987: 657-658). It explains the sequential and inter-related series of actions and events of strategic change management and the change itself from start to finish. According to Pettigrew, "the process dimension (the how) is not only concerned with the formal procedures, practices and activities that unfold to enable strategic change but also the political and power impacts that ultimately influence the overall process" (Insights, 2009: 2). Thus, any kind of 'influence' coming either from political affiliations or any sort of power source is vital for analyzing strategic change. Thus, "…an examination of power, and who wields it, and how, is very relevant to… the problem situation, it will certainly be important at the comparison stage and when feasible and desirable changes are defined" (Checkland, 1998: 233). The multidimensional nature of power and its influence make it very difficult to trace a single or defined set of causations: "…everyone who participates in the life of any social grouping quickly acquires a sense of what you have to do to influence people, to cause things to happen, to stop causes of action…in human affairs, the course being followed is continuously generated and regenerated from inside the system" (Checkland, 1999: 20).

'Power' and 'influence' during a strategic change are complex and are difficult to analyze since they can emanate from within or outside an organization and also take a formal or informal shape, which complicates the process of strategic change. In connection to this, Pettigrew and Fenton (2000) contend that the kind of information and how it circulates within an organization, and how it is utilized by employees as well as outside stakeholders ultimately play a significant role in determining the strategic change's success or failure. The intensity and pattern of information flow impacts the strategic change process directly. In a nutshell, "[t]he processual view of strategic change is without doubt a useful mechanism for understanding how organizations devise, develop and implement strategic initiatives. To complement this view, there is a need to understand how individuals interact with each other and how information changes influence strategic activity" (Insights, 2009: 3).

The *'context'* dimension addresses the *'why'* and *'where'* challenges of a strategic change. As Pettigrew (1987) acknowledges, *'why' and 'where'* a change happens influences its success or failure regardless of *'what'* changes and *'how'* it changes, that is, the contextual embeddedness of a strategic change is a focal area that should be addressed while researching strategic change. Iles and Cranfield (2004:199) suggest eight factors as fundamental conditions for change: "[e]nvironmental pressure, supportive organizational culture, fit between change agenda and locale, simplicity and clarity of goals and purpose, cooperative inter-organizational networks, managerial-professional relations, key people leading change, and quality and coherence of local policy." (Also see Pettigrew, 1992)

According to Pettigrew (1987: 657), *'inner'* and *'outer'* contexts can be differentiated as: "[o]uter context refers to the social, political, economic, business and competitive environment in which the firm operates. Inner context refers to the structure, corporate culture and political context within the firm through which ideas for change have to proceed." Pye and Pettigrew (2005: S31) describe aspects of the external context as "the extent of regulation in the industry in which an organization is located, its ownership structure and investor relationships with the board, the presence of other influential stakeholders e.g. lobby groups outside the organization, and the potential for mergers and acquisitions activity."

Pettigrew does not acknowledge a national level analysis in the external context, and solely focuses on the firm and industry levels. However, in a developmental state context, developmental enterprises have a fluid ownership structure since they are mandated with the dual mission of serving the public and making profits for national development. Besides, there exist loose boundaries between national level and organizational level decisions regarding a change in strategies. Thus, inclusion of the national context helps in enhancing our insights into elements of the external context.

The most essential elements of the inner context comprise of, "commercial requirement of the organization to develop new core competencies or strategic direction; level of perceived trust in the board, as viewed by insiders and outsiders; life cycle of the company and of the board and its culture/ stage of board development" (Pye & Pettigrew, 2005: S31). The inner context is further categorized into 'tangibles' and 'intangibles': Visible formal structures and organizational resources denote the tangible contextualities. The invisible but powerful influencers of ‘organization culture’ and ‘organizational politics’, are the intangibles. The invisibles influence the tangible contextual variables. In a developmental state context like Ethiopia’s, the blurred power relations between the government-appointed board members and professional organizational managers make the interaction between internal and external contexts very complex, especially in passing business-oriented strategic decisions.

Pettigrew (1987) insists that decisions regarding changing the content of a strategy fundamentally necessitate managing the process and context aspects. Thus, “theoretically sound and practically useful research on change should explore the contexts, content, and process of change through time. Just as change is only perceptible relative to a state of constancy, an appreciation of a temporal sequence of events requires understanding the starting (input) conditions and ending (outcome) results” (Van de Ven, 2007: 146-147; also see, Pettigrew, 1990). Van de Ven (2007) claims that a complete understanding of ‘strategic change’ should be reflected in the temporally arranged sequential developments of critical events linked to historical and contextual narrations.

2.2 Review of theoretical perspectives and methods

In a multi-lens perspective review, Rajagopalan and Spreitzer (1996), categorized strategic change literature into two domains on the basis of its underlying research questions and the specific methodologies used: “[r]esearchers in the first school, the “*content”* school, have focused to the antecedents and consequences of strategic change, utilizing large samples and statistical methods. In contrast, researchers in the second school, the *“process”* school, have focused on the role of managers in the strategic change process, utilizing in-depth case studies spanning several years” (Zhu & Xu, 2010:19). These two schools have gone astray on their routes leaving researchers in two compartments. Different researchers have ended up with contradictory conclusions because of the consequences of organizational factors during strategic change. For instance, organizational size was found to have both a positive effect (Zajac & Kraatz, 1993) and a negative effect (for example, Fomburn & Ginsberg, 1990) on the likelihood of a strategic change. However, the context dimension of strategic change has not yet received sufficient attention by researchers.

Further, prior research can largely be categorized under three perspectives: The ‘rational lens, the ‘learning lens’, and the ‘cognitive lens’ (Rajagopalan & Spreitzer, 1996). The *rational* *perspective* assumes that rational managers attempt to optimize performance by matching an organization with its environmental demands via strategic envisioning (Rajagopalan & Spreitzer, 1996). This perspective assumes that managers are rational beings operating in an organizational context. It further assumes that the external environment is amenable to an objective analysis and is composed of potential threats and opportunities (Chaffee, 1985). Thus, the impact of the external environment appears to have a strong link with changes in the content of organizational strategies (Ansoff, 1965). In a similar vein, organizational contingencies (weaknesses and strengths) are contrasted with inertia and contributing to flexibility whereby firms change their strategies to improve their economic performance.

Rajagopalan and Spreitzer's (1996) review incorporates variables that have also been examined in earlier studies, such as firm size, age, prior performance, prior strategy, characteristics of the top management, and governance structures to enable identifying the patterns and contradictions. Most of the variables do not show clear effects.

As the rational lens assumes objectivity, its explicit operationalization of environmental and organizational antecedents and changes facilitates a comparability of the studies. Nonetheless, the rational lens does not allow for much knowledge accumulation on strategic change due to its theoretical and methodological rigidities. For instance, the rational lens treats managerial actions and cognitions as a 'black box'. It hardly considers managerial processes, actions, cognitions, attitudes, sense-making and sense-giving, and the political processes during strategic change even though they are inseparable from the process. Besides, as per this perspective strategic change is conceptualized as a unitary concept, focusing on the magnitude, likelihood, or direction of change in a strategy's content (Rajagopalan & Spreitzer, 1996). It also underplays the dynamic nature and non-linear complexities of strategic change and its consequences.

The *learning perspective* assumes that organizational and environmental factors are unpredictable and subject to change (Quinn, 1980). It views an organization as a coalition of interest groups. "The learning lens perspective researchers provided a richer theoretical description of strategic change by opening the *'black-box'* of managerial processes (i.e., how managerial actions shape readiness and resistance to strategic change and overall outcomes of the change process)" (Rajagopalan & Spreitzer, 1996:61). However, a major theoretical and methodological limitation of this perspective derives from its lack of a conceptual distinction between managerial actions and changes in the content of the strategies: "Managerial actions are treated as both the means and ends in the strategic change process" (Rajagopalan & Spreitzer, 1996: 61).

In the *cognitive lens perspective*, "the interpretive processes through which managers enact the environmental/organizational context are emphasized" (Rajagopalan & Spreitzer, 1996:62). The major premise of this perspective is that strategic changes are associated with changes in top managers' cognitions as a result of recognizing shifts in environmental situations (Ginsberg & Abrahamson, 1991; Grinyer & McKiernan, 1990; Meyer, 1982). While studies grounded in the cognitive lens perspective help in understanding top managers' strategic decision-making, they rarely address the economic outcomes of strategic changes (Rajagopalan & Spreitzer, 1996).

In conclusion, there is a gap in multi-level analyses as each of these three perspectives addresses one level only: the rational lens perspective considers environmental antecedents at the industry level and strategy changes at the firm level, whereas the learning and cognitive lens perspective measures variables at the individual manager level. Therefore, as I argue in this research, combining multiple levels of analysis allows gaining a more comprehensive and contextualized understanding of strategic change in a developmental state context.

2.3 Antecedents of strategic changes in the banking and telecom industries

In today's competitive environment, several drivers enhance the need for strategic changes in many industries, including banks and telecom companies. Therefore, it is important to understand the antecedents of strategic changes in addition to their processes and consequences. In the banking and telecom industry, strategic changes are triggered by several internal and external factors. "The global forces for change include technological innovation; the deregulation of financial services at the national level and opening-up to international competition; and - equally important - changes in corporate behaviour, such as growing disintermediation and increased emphasis on shareholder value" (Hawkins & Mihaljek, 2001: 2). Similarly, Boot and Marinc (2008:1173) recognize that "liberalization, deregulation, and advances in information technology have changed the financial landscape dramatically. Interbank competition has heated up. Product innovations, new distribution channels, and emerging new competitors are in abundance." Put simply, banks are facing multidirectional waves of strategic shifts due to fierce competition prevailing both locally and globally.

A spill-over effect of the privatization and deregulation processes initiated by governments in emerging and developing economies is the fundamental strategic reorientation in the banking and telecom industries. For example, a study by Kuo (2004) concentrated on the effect of Taiwan's financial deregulation on banks' new operational environment and members of their top-management teams (TMT). He found that deregulation was responsible for banks' strategic changes being initiated by technological innovations and market competition. Specifically, banking deregulation; changes in market competition and customer demands; and the dispersion of TMT's tenure and TMT's industrial seniority were positively associated with banks' strategic changes. Many East and South Asian countries have taken up augmented efforts to innovate their financial systems, reducing state ownership, and allowing foreign competitors to enter their markets in response to the 1997 financial crisis (Hawkins & Mihaljek, 2001).

"Banking in the emerging economies was traditionally a highly protected industry, living off good spreads achieved on regulated deposit and lending rates and pervasive restrictions on domestic and foreign entry" (Hawkins & Mihaljek, 2001: 3). However, according to Hawkins and Mihaljek (2001), internal and external environmental forces compel banks to privatize, merge and/or consolidate as well as go through radical strategic reorientation. The African banking sector is facing a similar development, as "financial liberalization, institutional and regulatory upgrades and globalization have changed the face of financial systems across the region" (Beck & Cull, 2013:2).

2.3.1 Internal and external factors

According to Zuniga-Vicente et al. (2006), a common assumption in generic literature is that strategic changes are triggered by external factors in terms of environmental upheavals (for example, regulatory changes and technological revolutions) as well as internal, organizational factors (for example, managerial actions, resources, and capabilities). However, there is lack of consensus on the relative importance of the potential 'drivers' of strategic change and their degree of 'manageability'. Yet, the interaction between external and internal sources of strategic change has been undertheorized and understudied (Kraatz & Zajac, 2001). Zajac et al. (2000) also indicate that the timing, direction, and magnitude of a strategic change can be logically predicted based on differences in specific environmental forces and organizational resources which lead to the concept of a 'dynamic strategic fit.'

Research indicates that organizational factors can either be enablers or roadblocks in the implementation of strategic changes contingent on the organizational context. As organizational constituents, resources warrant closer attention depending on the industrial context. Boeker (1997); Kraatz and Zajac (2001); Lorente et al. (2005); Zúñiga-Vicente and Vicente-Lorente (2006); and Zúñiga-Vicente et al. (2004) identified firm-specific factors that either facilitated or inhibited the likelihood and direction of strategic changes in banks. Based on extensive longitudinal data of Spanish private banks, these researchers concluded that excess physical resources promoted strategic changes while reputation and past performance blocked change. However, the link between these resources and particular types of strategic changes remain unclear. In addition, the possible association between a firm's resource profile and the likelihood of strategic change needs further scrutiny in different contexts. Whether firm-specific factors are core capabilities (enablers) and/or core rigidities (blockers) and their influence on the direction of a firm's strategic change are not empirically ascertained. In a nutshell, these researchers examined the effects of a set of tangible resources and intangible assets on the probability and direction of strategic changes simultaneously. They concluded that a bank's ability to change its competitive strategy significantly depended on some specific assets.

Zuniga-Vicente et al. (2005) explored the main enabling and obstructing factors of strategic reorientation in banks characterized by substantial environmental turbulence. They indicate that the main facilitating factors behind strategic changes are linked to certain factors in the "external context (environmental events linked to deregulation process and density) and in the internal context (CEO succession and tenure)" (Zuniga-Vicente et al., 2005: 235). Morris (2007: 133) demonstrates that environmental constraints forced banks to react: "Banks that exist in environments with scarce resources and high levels of competition are likely to change form. Banks also respond to internal constraints. Banks that are dependent upon the government and, thus, lack autonomy because of poor financial indicators are likely to change, as are small banks, which have fewer resources." This case begs further analysis since large banks with ample resources might be tempted to change their strategies as a way of exploiting the market and their resource depositions specifically in the developing world. In sum, it seems that strategic change patterns are determined by institutional characteristics and are associated with a firm's capabilities that warrant a closer scrutiny of the different contextualized institutional factors.

2.4 Strategic change process

One research stream does processual analyses of strategic changes rather than focusing on variance analyses (antecedents and consequences). This stream sees change as a process rather than an event which signifies a subjective ontological stance. In light of this, Macintosh and Maclean (1999: 313) promoted a "conditioned emergence that utilizes the concept of dissipative structures and implies that organizations move through a cycle of gradual evolution, stagnation, radical upheaval, and self-organization." These authors maintain that as an organization evolves through a repetition of this cycle and awareness of its accumulated learning as reflected in its relatively stable deep structure provides a degree of irreversibility to the evolutionary (incremental) process. By the same token, Balogun and Johnson (2005: 1573) show "the extent to which lateral, informal processes of inter-recipient sensemaking contribute to both intended and unintended change outcomes, and therefore the unpredictable, emergent nature of strategic change." Balogun (2006) contends that unanticipated outcomes arise from the way individuals ''make sense of" change interventions.

In similar research, Sonenshein (2010:477) argues that, "one of the most important processes of strategic change occurs when managers use 'discursive' and other 'symbolic materials' to destroy existing meaning systems and establish new ones in an effort to set strategic direction" (also see, Fiol, 2002; Gioia & Chittipeddi, 1991). It is possible to state that "the change process involves managers first breaking down employees' existing meaning constructions (unfreezing), then establishing new meanings (moving), and finally solidifying those new meanings (refreezing)" (Sonenshein, 2010:477).

Cornelissen, Holt, and Zundel (2011: 1701) argue that, "[s]trategic change initiatives disrupt established categories of stakeholder understanding and typically present a problem of justifying and legitimizing the change to stakeholders in order to gain their buy-in and support." Here the conditions in which the stakeholders are situated culturally and their prior motivations need due emphasis.

2.5 Inhibitors and enablers of strategic change

2.5.1 CEO and leadership succession

According to Ndofor et al. (2009), a leadership succession is a warning sign for an organization that is frequently trumpeted by the business' push as a precursor to strategic reorientation and improved productivity. "The process of chief executive succession provides an opportunity for existing power relationships to be altered, for new strategic perspectives to be introduced and for strategic change to take place" (Umukoro, 2009: 5). Many traditional strategic management theorists agree that strategic change is possible only when a firm's chief executive officer (CEO) recognizes that the environmental factors have changed substantially. Thus, it is not possible to understand strategy and strategic changes without considering some characteristics of the decision-makers (Boeker, 1997). Many authors indicated that CEO succession is perhaps an important factor that promotes strategic change in firms (Barker & Duhaime, 1997; Boeker, 1997; Finkelstein & Hambrick, 1996). Some researchers (for example, Grimm & Smith, 1991; Hambrick, Geletkanycz, & Fredickson, 1993) also note that a CEO's tenure in a firm can have an important effect on strategic change (either as a facilitating force or an inhibiting one).

A review by Hutzschenreuter et al. (2012) indicates that leaders' succession entails strategic changes. Leaders' power in enacting strategic changes is heavily influenced by contextual factors. The authors recommend further research from a contextual perspective than a mere generalization of a connection between a CEO's succession and strategic changes. "Poor organizational performance makes strategic change more likely. Top managers have an important independent influence on the directions of firms through their decisions regarding strategy" (Umukoro, 2009: 19; also see, Hambrick & Mason, 1984; Hambrick et al., 1993). Along similar lines, Mullins and Cummings (1999:462) claim that, "the personality traits of strategic decision makers interact with environmental conditions faced by the firm to influence the likelihood of a firm's change in strategy." By implication, leaders' strategic thinking is a function of their inborn qualities which directly affects a strategic change process. According to Haynes and Hillman (2010: 1145), "board capital breadth leads to more strategic change, while board capital depth leads to less." As cited by Currie (1999:144), "Floyd and Wooldridge (1992) outlined a typology of middle-managers' influence, which emphasizes emergent strategic change." They stressed that middle managers have a bidirectional – "upward and downward influence in the strategic change process, which allows for a consideration of an enhanced role for middle managers." Bowman and Ambrosini (2000:207) suggest that "change will be durable if managers believe in the actions they are taking and that this is most likely to happen if the managers have already experienced, in some way, the changes being proposed."

2.5.2 Power

Power is a crucial influencer when managers at all levels declare strategic changes. "Much of the business literature has been preoccupied with finding more sophisticated techniques to formulate better strategies. But, business success depends not only on finding the right strategy, but also ensuring it materializes in the form of a pattern of appropriate strategic actions" (Hardy, 1996: S3). That is, the practicality of a strategic change initiative is dependent on the power that leaders possess within an organization and the way they use this power for influencing others to move towards an anticipated future state. "Success clearly depends then, not only upon finding creative, new strategies, but also on being able to realize them by making the necessary changes throughout the organization" (Hardy, 1996: 5; also see, Hurst, 1986; and Huston, 1992). Hardy (1996: 8) further stipulates that "power can, then, provide the energy for strategic change. Without it, we face strategic paralysis because we lack a mechanism with which to make change happen."

Strategic changes do not occur in a vacuum – they take place in a system in which a certain distribution of power is already entrenched. Scholars further note that, "power is essential for producing strategic change because decisions to alter organizational strategies and structures affect internal actors with vested interests, and implementation likewise involves mobilization and deployment of resources controlled by multiple managers" (Greve & Mitsuhashi, 2007: 1199; also see, Pfeffer & Salancik, 1978). Besides other things, the capability to influence stakeholders while implementing strategic changes is possible through the degree of freedom granted to strategic change leaders in exercising their powers. The powers granted to organizational leaders might be affected by government-appointed board members in a developmental state context, though little empirical evidence about this exists so far.

In addition, "strategic changes have symbolic value because a high level of change indicates that the TMT has an active hand in strategy making" (Greve & Mitsuhashi, 2007:1200). In general, though power is important for cascading strategic changes, any power imbalance or procedural injustice will lead to counter actions or resistance. The next sub-section elaborates on the mainstream conceptualization of resistance to strategic change and its possible implications.

2.5.3 Resistance to strategic change

Some researchers posit that there is no agreed definition of 'resistance'. Typically, managers use the following words to explain resistance: "Pushback", "not buying in", "criticism", "foot dragging", "work-arounds", "being rebellious", and "objection" (for example, Carnall, 2007; Chreim, 2006; Dent & Ford, Ford, & D'Amelio, 2008; Goldberg, 1999; Huy, 2001; Ijaz & Vitalis, 2011; Piderit, 2000; Smollan et al., 2010; Thomas & Hardy, 2011).

2.5.3.1 Conceptual background

The negative connotations of strategic change resistance appear to be rooted in the definitions given by many authors for 'resistance' itself (for example, Folger & Skarlicki, 1999; Piderit, 2000; Zander, 1950; Zaltman & Duncan, 1977). An understanding of 'resistance to strategic change' as something that can be mitigated by cognitive manipulation, shows that resistance is taken to be something which is related to unfavorable thinking or cynicism about a given strategic change. Besides, some researchers attribute the conceptualization of resistance to emotional responses caused by change trials by ignoring the room for pursuing justice through resistance. According to Argyris and Schon (1978); Brower and Abolafia (1995); Coch and French (1948); and Piderit (2000), change resistance is perceived as a negative situation and resistors as devil's advocates. This overly negative connotation suggests that it is difficult to turn resistance into an opportunity where change leaders can learn from their past mistakes and from their knowledgeable subordinates; it also underplays enlightened bottom-up creativity and thinking.

In contrast to Ashforth and Mael (1998) and Shapiro, Lweicki, and Devine's (1995) work, Dent and Goldberg (1999: 26) assert that "[i]ndividuals aren't really resisting the change, but rather they may be resisting the loss of status, loss of pay, or loss of comfort." Broadly speaking, though some researchers have tried to take a neutral look at the word resistance, its potentially positive aspects need to be further explored.

2.5.3.2 Resistance to strategic change: Is it really a dinosaur of change?

"Change can be seen everywhere, and all people and organizations are affected by change more than ever before" (Yue, 2008: 84). As a result, 'resistance' might emerge in the process of moving towards accepting this reality. According to Bolognese (2002:1), "resistance is an inevitable response to any major change. Individuals naturally rush to defend the status quo if they feel their security or status is threatened." Indeed, as high as 70 percent of all change programs have been found to fail (Balogun & Hailey, 2008). As per Zoller and Fairhurst (2007), this failure rate can be attributed to deceit in the change ideas, inadequate communication of the change, or flawed execution to a large extent. In addition, "people resist change due to many factors, some of which are a lack of information on the proposed change and a comfort in the stable environment to which they have become accustomed and in which they find predictability and security. Six types of response that individuals may mobilize: oppose, resist, tolerate, accept, support and embrace" (Yue, 2008:85; also see, Bennis, 1973). This suggests that resistance is not necessarily a negative response and instead it can be viewed as a result of change leaders' misconceptions about employees' responses.

Further, Yue (2008:85) indicates that, "resistance results from differences involving ideas, motives, plans, or priorities, and brought forward five common sources of resistance as follows: (1) Lack of belief that there is a serious need for change, (2) Different descriptions of the need for change, (3) No agreement about goals for change, (4) Lack of belief that the goal is attainable and (5) No confidence in the manager of change" (also see, O'Connor, 1993). Thus, employees seem to resist change not merely as a refusal to accept it but as a rational call to change leaders to pay more attention to developing a shared understanding about a change initiative. Nonetheless, "Resistance has been mostly studied through a negative lens which views it as a dysfunctional, yet a common element embedded in the change loop" (Ijaz & Vitalis, 2011:113).

On the other hand, Thomas and Hardy (2011:322) take middle ground by conceptualizing resistance to change as the 'demonizing' versus 'celebrating' view. They explored the most common approach to resistance, "which is to demonize it by viewing it as a pathology that obstructs attempts to change organizations." Further, they believe that, "this work grants change agents the right — if not the duty — to use whatever means necessary to prevent resistance, including the use of power against employees" (Thomas & Hardy, 2011: 322). They stress that "this way of dealing with resistance does not however appear to have been very successful, given the number of change initiatives that fail" (Thomas & Hardy, 2011: 322). In this connection they add that, "what change agents label as resistance may, in fact, represent novel ideas for change" (Thomas & Hardy 2011: 322; also see, Ford, Ford, & D'Amelio, 2008; Piderit, 2000). This understanding acknowledges that resistance plays an important role in the successful implementation of a strategic change.

According to Thomas and Hardy (2011), if resistance is celebrated as a core element of effective change, then the main responsibility of the change agents is harnessing this while designing and implementing successful change initiatives. Thus, "[r]esistance now ceases to be dysfunctional behaviour and instead is a result of interactions between the change agent and change recipient, whereby the former makes sense of the reaction of the latter" (Thomas & Hardy, 2011: 324). In addition, 'resistance to change' is conceptualized as a function of sense-giving by resistors and sense-making by change leaders as well as the so-called agents. "This does not mean that recipients don't have reactions to change, nor does it mean that their actions can't have an adverse impact on change; they can, and they do. What it does mean, however, is that none of these actions/reactions are, in and of themselves, resistance, and they do not become resistance unless and until change agents assign the label resistance to them" (Ford et al., 2008: 371).

Smollan (2011) acknowledges the multidimensional nature of resistance to change. He questions its meaning, source, and also the participants of change resistance. He claims that the, "management tends to ignore the multidimensional nature of resistance and view it as employees wilfully behaving badly" (Smollan, 2011: 828) and notes that, "resistance is most often coined as a behavioural phenomenon whereby employees demonstrate opposition to management" and further explains that "change is only one area of the contested domain and may be another manifestation of employees' quest for autonomy" (Smollan, 2011: 829). Thus, it appears that if change is a quest for autonomy it is futile to signify it as evil doing. Smollan (2011: 829) further contends, "[d]espite their supposed disadvantaged position, those with less hierarchical authority, expert credentials, or economic resources, such as middle managers and other employees, can nonetheless exercise power discursively."

In conclusion, this literature review shows the misconceptions that authors and change managers/leaders tend to have towards resistance to strategic change. In the works reviewed, 'resistance to strategic change' is coined as a negative reaction by the subordinates rather than being taken as a means of combating injustices arising from strategic change implementation. The general understanding is a kind of *'win-lose'* situation as far as resistance and strategic change are concerned as it is group cast into employees as change recipients and top managers/leaders as change enforcers. This rejects the possibility of *'win-win'* strategic change endeavors.

2.5.3.3 Resistance to strategic change: In war with organizational injustice

The discussion in the previous section considered literature on resistance to strategic change in general. Now, I discuss resistance to strategic change in a positive sense and how this can contribute to fighting against change leaders' injustices while implementing strategic changes. Though literature focuses on the negative side of resistance to strategic change and very little on its positivity, it is also silent on how resistance can serve as a means of protest against perceived and actual injustices purported by change leaders during implementing strategic changes. That is, resisting unfair change trials that rely on unjust procedures is like declaring a war on terror. Resistance to strategic change on such grounds can be productive and can also be a fruitful way of ensuring fairness (in terms of organizational justice). Resistance can be a result of organizational injustices orchestrated by change leaders. For instance, Folger and Cropanzano (1998) discuss the procedural justice theory by analyzing, "how leaders' accounts of their decisions influenced subordinates' perceptions of justice." Here, it is logical to weigh the decision to change using a neutral lens that will not magnify or minify the truth instead of blindly accusing employees' for resisting change. That is, "[s]imply accounting for one's decision is not enough to influence the harmed party's perception of injustice" (Poole, 2007: 732).

2.6 The organizational justice theory and strategic change

This dissertation centers on exploring strategic change in a developmental state context by examining how the strategic change process unfolds so as to develop a contextualized model of the strategic change process. For this, the effectiveness of such a strategic change process can be well mirrored in the justice by the driving forces, the processes that are enacted, and the results that are achieved. Thus, my theoretical lens for analyzing Pettigrew's *content-process-context* dimensions of the strategic change model is the *organizational justice theory*. This section explains the nature of justice, the philosophical background of justice, major milestones in the evolution of justice research, and the dimensions of the organizational justice theory.

Philosophers look at the concept of justice as just an *'objective truth'* about *'what is fair'* (Adams, 1965). However, in an organizational context, what is just also ought to be examined by looking at a situation "from behind the veil" (cf. Woodilla & Forray, 2008; Rawls, 1971). Thus, according to organizational and social psychologists, and organization theorists, this means 'what individuals perceive to be fair rather than a logic-based argument' (Adams, 1965; Cropanzano & Greenberg, 1997; Thibaut & Walker, 1975; Tyler & Bies, 1990). "Unlike the work of philosophers and attorneys, managerial scientists are less concerned with what is just and more concerned with what people believe to be just. As defined here, organizational justice is a personal evaluation about the ethical and moral standing of managerial conduct" (Cropanzano et al., 2007: 35).

In the 1960s, studies on organizational justice had a dominant emphasis on a single type of justice – distributive justice as an extension of equity theory (Adams, 1965). Leventhal (1980) preached procedural justice by looking at the intricate processes that were used for taking decisions. Later, organizational justice researchers added a third dimension – 'interactional justice' addressing the social side of justice (Bies & Moag, 1986; Tyler & Bies, 1990). The 1990s marked a movement in the construct of justice from *'legal procedures'* to *'organizational procedures'* (Nowakowski & Conlon, 2005).

"Contemporary organizational justice theory, developed from individuals' perception of procedures and outcomes, is concerned with the 'universal rules' of justice applicable to all situations regardless of circumstance" (Woodilla & Forray, 2008: 4; also see, Greenberg, 1990). Here, what is just or unjust can be revealed from the allocation of outcomes, the appropriateness of the procedures deployed, guidelines used for taking decisions, the way information flows, and the degree of interpersonal openness in interacting with organizational actors. This implies, "seeking a justice of policies and procedures devoid of competing interests, positions, or power dynamics" (Woodilla & Forray, 2008: 4). In light of this, the organizational justice construct is described as "employees' perceptions of the fairness with which they have been treated by an organisation or organisations" (Campbell & Finch, 2004: 179).

In relation to this, the organizational justice theory has been comprehensively defined as: "Organizational justice theory, developed from applied research in organizational settings, focuses on how individuals socially construct incidents of justice and injustice. Justice in organizational justice research is examined through the perceptions of employees in organizations who make judgments about the actions of organizational leaders" (Poole, 2007:727; also see, Cropanzano & Greenberg, 1997; Folger & Cropanzano, 1998, 2001; Folger & Martin, 1986; Folger, Rosenfield, & Robinson, 1983; Greenberg, 1990). According to Saunders and Thornhill (2003:360), "organizational justice integrates the outcomes of organizational change with the methods used to achieve it, and perceptions about the treatment of those affected." The major dimensions of the organizational justice theory are given in Figure 2.2.

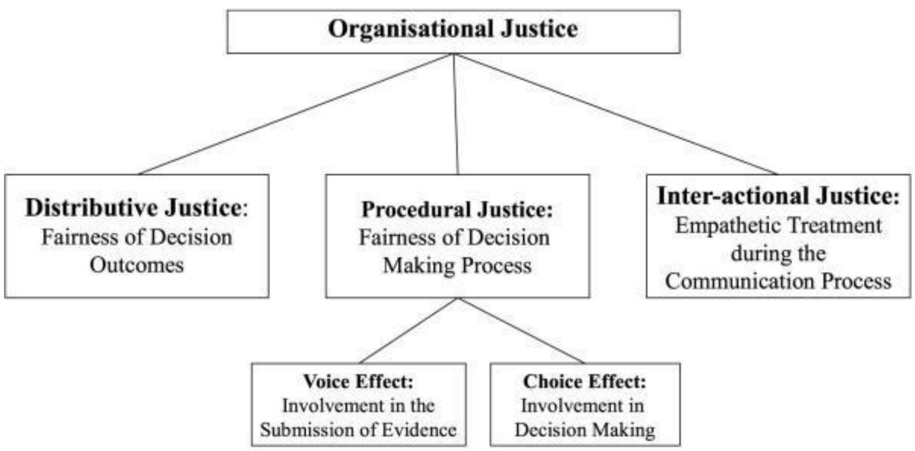

Figure 2.2: Components of the organizational justice theory (Adopted from Campbell and Finch 2004: 181).

As shown in Figure 2.2 the organizational justice theory has three dimensions: *distributive, procedural, and interactional* which can be directly aligned with Pettigrew's *content – process – context* dimensions. Greenberg (2001) examined contextual factors that influence perceptions of justice among employees at various levels of the organizational hierarchy. He found that, "first, concerns about justice were triggered when people received negative outcomes. Second, the processing of judgments about fairness was most likely to occur when relationships (such as those between employer and employee) were in a state of flux. Third, when resources were scarce, self-serving perceptions of justice tended to prevail. Fourth, justice concerns were more likely to arise among interactions having different levels of power than among those for whom the balance of power is equal" (cf. Poole, 2007:730).

Along similar lines, there exist "…two types of justice related to in-group and out-group members: *inclusionary and exclusionary justice*. Justice becomes exclusionary when individuals apply justice principles only to members of the in-group and inclusionary when justice principles and procedures are seen as universally applicable" (Beugr, 2002: 1096; also see, Deutsch, 1985). As per these studies, during strategic change implementation, it appears that considering the views of various groups in an organization and outside stakeholders as well as application of equitable treatments for all is fertile ground for smoothing the strategic change process. Injustices to arise if change leaders intentionally discriminate among employees for benefiting their own group by engaging in biased criteria and rationalizing the strategic change process after creating uncertainties. Such circumstances can get more problematic when strategic changes occur in the context of nations having collectivist cultural set-ups (Beugr, 2002). According to Beugr (2002:1096), "in collectivistic cultures people tend to use exclusionary justice because they tend to favour in-group members more than out-group members. Thus, in African organizations, one may suspect that injustice to in-group members would be perceived as more salient than injustice to outgroup members." In addition, such a framing of justice connected to strategic changes is meaningful for a developing country like Ethiopia where my case organizations are located. Even if one looks at the state political ideology and the nature of party-affiliated businesses, 'we' and 'they' group castings are becoming common manifestations which are harmful for both big public corporations and private establishments in the country. So, the essence of 'inclusionary and exclusionary' justice warrants a closer attention to appraising the strategic changes in the selected case organizations. The following sub-sections deliberate on each dimension of the organizational justice theory for deepening our understanding of the theoretical construct.

2.6.1 Distributive justice (DJ)

The pioneer of distributive justice (DJ) is Adams (1965). DJ basically deals with fairness in distributing organizational resources (Campbell & Finch, 2004; Homans, 1961), or "the perceived fairness of the outcomes that an individual receives from organisations. Outcomes may be distributed on the basis of equality, need or contribution and individuals determine the fairness of distribution through comparison with others" (Campbell & Finch, 2004:179; also see, Folger & Cropanzano, 1998; Leventhal, 1976). According to Folger and Cropanzano (1998), with the emerging emphasis on procedures rather than on mere outcomes, attention has also shifted to seeing organizational justice from processual perspectives. That is, "the procedures used to determine outcomes can be more influential than the outcome itself" (Campbell & Finch, 2004: 179). According to Beugr (2002:1095), there are "three rules of distributive justice: *equity*, *equality* and *need*. When the allocator's goal is productivity, equity is the preferred rule. When the allocator's goal is to maintain harmony, the preferred decision rule is the equality rule. However, when the goal is to satisfy the need of the less fortunate members of the group, the preferred decision rule is the need rule" (also see, Deutsch, 1985). But a decision about distribution depends on the goal being pursued by the person in charge of the distribution. Such principles concur with, "Aristotle's famous dictum that all men wish to be treated like all other people (equality), like some other people (equity), and like no other person (need)" (Cropanzano et al., 2007: 37).

The distributional aspect of organizational justice is an important perspective for appraising the outcome distribution of strategic changes made in the case organizations in a developmental state context; this study investigates this.

2.6.2 Procedural justice (PJ)

The advocates of justice from a procedural perspective are Thibaut and Walker (1975). Procedural justice (PJ) is defined as, "the fairness of methods, mechanisms and processes used to determine outcomes, or the perceived fairness of the procedures used in making decisions" (Campbell & Finch, 2004: 179; also see, Folger & Cropanzano, 1998; Folger & Greenberg, 1985). For processual openness and clarity, these authors identified the sub-components of procedures. According to Campbell & Finch (2004:179), "procedural justice is subdivided in to two components: process control *(voice effect)* and decision control *(choice effect)*. Process control allows an individual to control the submission of evidence to support his/her case during the process. On the other hand, decision control refers to involvement in actual decision making" (also see, Thibaut & Walker, 1975). Some examples of this are provision of informational inputs during a strategic change and/or participation of employees at various levels during decision making about anticipated strategic changes and their participation in their implementation.

Greenberg (1987) acknowledges that if recipients judge the processes and phases to be fair then they are likely to endorse the end results regardless of their adverse or beneficial impacts. Researchers call this the *'fair process effect'* (Folger & Cropanzano, 1998; Greenberg, 1987; Thibaut & Walker, 1975). That is, "perceptions of procedural justice can alter and influence perceptions of distributive justice" (Campbell & Finch, 2004: 180). Leventhal (1980:36) further states that, "if the procedures are seen as fair, then the final distribution is likely to be accepted as fair even though it may be disadvantageous." Thus, paying significant attention to the process of strategic change is vital for internal stakeholders (that is, employees). "Fair processes lead to intellectual and emotional recognition. This, in turn, creates the trust and commitment that build voluntary cooperation in strategy execution. By the same token, procedural injustice leads to intellectual and emotional indignation, resulting in distrust and resentment" (Kim & Mauborgne, 2005:183; also see, Cropanzano et al., 2007).

In conclusion, fair procedures lead to the ownership of a strategic change's end results which can stand independent of the perceptions about outcome distribution. Thus, an unbalanced distribution does not necessarily mean that unfair procedures have been pursued, that is, a fair procedure can lead to acceptance of inequitable outcomes. The process of taking decisions about strategic change is more central than the uncontrolled consequences from the perspective of organizational transformation and absorptive mergers in contextual terms.

The procedures followed by strategic change leaders are likely to lead to resistance if they are applied unjustly. The procedural justice perspective stresses that decisions which moderate the impact of undesirable reactions are a result of genuine procedures and processes (Thibaut & Walker, 1975). Securing decision control (that is, the authority to decide) is an important contributor to perceptions about justice (Poole, 2007). Poole (2007: 730) further claims that, "people are more likely to perceive that a decision is fair if they feel they have had a voice or a sense of process control (opportunity to influence the decision maker); and people are more likely to accept unfavourable outcomes when they perceive that the process of arriving at the decision was fair." Procedural justice affirms that the process is a more powerful factor in perceptions about justice than the outcomes (Cropanzano & Greenberg, 1997).

The procedural justice theory can be used for explaining the process of strategic change. If strategic change in an organization is cascaded following fair procedures by change leaders, there may be limited resistance by the employees. On the contrary, if unfair and unjust procedures are implemented, the change outcomes will disfavor employees and these are likely to lead to more resistance in unproductive ways. From this angle, unfair change trials relying on unjust procedures are potential explanatory reasons for resistance to the process of strategic change. The criteria for judging fair decision making by leaders include, “consistency (applying standards uniformly over time and across persons), bias suppression (minimizing personal self-interest and narrow preconceptions), accuracy (relying on high-quality information and well informed opinions), correctability (allowing decisions to be reviewed and revised or reversed), representativeness (taking into account various interests), and ethicality (taking into account prevalent standards of moral conduct)” (Poole, 2007:731).

2.6.3 Interactional justice (IJ)

Interactional justice is propagated by Tyler and Bies (1990). Further, “Interactional justice is defined as the quality of interpersonal treatment that an individual receives during the enactment of organisational procedures. Simply put, it is the manner in which information is communicated” (Campbell & Finch, 2004: 180; also see, Bies & Moag, 1986). According to Nowakowski and Conlon (2005:7), “informational justice focuses on the explanations or information provided by decision makers as to why certain procedures were used or why outcomes were distributed in a particular way—is this information thorough, reasonable, truthful, candid, and timely?” There are two major elements of interactional justice: “interpersonal sensitivity and social accounts. The former refers to maintaining a polite and considerate approach to others, whilst the latter includes the provision on adequate explanations for undesirable outcomes” (Campbell & Finch, 2004: 180). Beugr (2002:1095-1096) recognizes, “three types of social accounts: causal accounts, ideological accounts and referential accounts. In providing a causal account, the decision maker attempts to reduce responsibility for the negative outcome. In ideological accounts, the outcome is reframed so that it matches the recipient’s goals and values. In referential accounts, the decision maker tends to focus on an alternative situation” (also see, Bies, 2015).

Clear explanations about the reasons for some happenings, mutual consent on the future implications of strategic decisions, and anticipation of alternative solutions (*contingency plans*) might improve change recipients’ perceptions about fairness during a strategic change. Thus, the right to be informed and the will to share information play a paramount role in bringing about organizational justice in everyday organizational life and interactions. Open communication (*informational justice*) can be central in bringing about fair and just strategic changes. An environment that is conducive for employees' self-expression is an indicator of justice in an organization. Open and transparent two-way communication is supposed to bridge perceived injustices. "Supportive communication also reduces perceptions of uncertainty and reduces stress by helping employees to develop a sense of perceived control" (Campbell & Finch, 2004: 181; also see, Albrecht & Adelman, 1987). Some studies also suggest conducting town meetings (meetings for solving common problems by those who are affected by them) for free voicing by employees and letting employees participate in decision making to enhance their perceptions about control (Seo & Hill, 2005). Giving golden parachutes (a good farewell that recognizes previous contributions) to the top management team and the CEO leaving an organization in a strategic change which has the advantage of reducing if not avoiding feelings of anger and resentment among those who are leaving and also those who occupy lower positions in the hierarchy (Seo & Hill, 2005; Shearer, 2004). Open interactions are supposed to bring about organizational justice during strategic changes, especially in a developing country context where one-man shows and hidden agendas prevail (Seo & Hill, 2005; Shearer, 2004).

According to Nowakowski and Conlon (2005: 7), "the constructs of interpersonal and informational justice focus more on the statements and behaviors of the person in the role of decision maker rather than on the systemic or structural characteristics of procedures or outcomes themselves." Enhancing justice in the softer side of a change (that is, interactional and informational aspects) through attitudinal and behavioral management is vital for a sound and meaningful strategic change.

In conclusion, just practices during strategic change are crucial for its success as organizations are coalitions of social beings promoting shared interests. "Organizational justice -members' sense of the moral propriety of how they are treated—is the 'glue' that allows people to work together effectively. In contrast, injustice is like a corrosive solvent that can dissolve bonds within the community" (Cropanzano et al., 2007:34). These authors acknowledge the positive spill-over effects of organizational justice in organizations. According to many researchers justice as practiced in organizational decision making and social interactions results in strategic benefits (for example, Beugr, 2002; Cropanzano & Greenberg, 1997; Deutsch, 1985; Seo & Hill, 2005; Tyler & Bies, 1990). For instance, "organizations should try to act in a just fashion. To fail to act justly potentially entails costs that organizations do not wish to incur, while to act justly produces direct and indirect benefits in terms of organizational efficiency, effectiveness, and quality of life" (Deutsch, 1985: 202).

Beugr (2002: 1092) acknowledges that, "organizational justice is important because perceptions of fairness lead to positive attitudes and behaviours, whereas perceptions of unfairness lead to counterproductive behaviours." Most research conducted in a non-western context concentrates on Asian countries without incorporating evidence from an African context (Beugr, 2002; Leung & Park, 1986). Thus, there is lack of organizational justice research in a developmental state context like Ethiopia where political interventions are high. Integrating the concepts of organizational justice with developmental strategic change as propagated by the developmentalist state ideology appear highly relevant. Therefore, the primary purpose of this dissertation is exploring strategic change processes in a developmental state context. To operationalize this, its central research question is: *How do strategic changes unfold in a developmental state context?*

The next chapter explains how this thesis addresses this main question. Addressing this question leads to a two-fold contribution of this thesis. Firstly, it contributes to the growing body of research on organizational justice, and secondly, it improves our understanding of strategic change processes and practices in developing countries. Further, my findings also shed light on how different dimensions of justice are valued in Ethiopian development enterprises given the 'collectivist' context of the national culture.

To sum up, the general trend in mainstream strategic change and context specific literature was confined to content and process and revolving around three theoretical lenses: *rational, learning, and cognitive*, especially till 1994. After 1994, research on strategic change witnessed divergent theoretical uses but still tilted towards understanding the cognitions and actions of individual managers during strategic changes (for example, sense-making, sense-giving, framing, and managerial discourse) with few exceptions. The general approach followed a quantitative rational analysis by downplaying qualitative and processual methodologies that might better explain the intrinsic reality of change. In this review, it became clear that the context dimension of strategic change is still underdeveloped. Besides, the various complexities that exist in implementing strategic changes that are peculiar to the banking and telecom industries in a non-western context (especially, the Ethiopian context) have not been adequately captured as yet. I suggest that the organizational justice theory (OJT) can capture the multidimensional complexities in strategic change processes as orchestrated by change leaders. That is, this theory addresses perceived and actual injustices purported by change leaders during change (from the inception to actuation phases). Embedded in a contextual and processual approach to strategic change, I propose organizational justice as a theoretical perspective to shed light on the *'content-process-context'* dimensions of strategic change.

Chapter 3: Method

This chapter explains the research methods, approach, and process. It gives explanations for the dissertation's philosophical stance, research approach, research design, the theoretical case selection, methods of data collection, analysis, research ethics and quality.

3.1 Philosophical stance

Philosophical stance is a researcher's perspective of following the scientific development of knowledge and how he/she sees the world. This is crucial since the philosophical stance and the method selected directly influence the type of data to be collected, the data collection techniques to be deployed, and the data analysis approach to be used (Silverman, 2013).

"All research is based on assumptions about how the world is perceived and how we can best come to understand it. Of course, nobody really knows how we can best understand the world, and philosophers have been arguing about that very question for long" (Van de Ven, 2007: 37). According to Van de Ven (2007), any research whether it states so explicitly or not is based on a philosophy of science to inform readers about the nature of the phenomenon studied (*ontology*) and the ways of understanding the phenomenon (*epistemology*). In all research endeavors, the researcher depends on some sort of philosophical approach while interpreting meanings, examining logical relationships, and synthesizing consequences of observational and theoretical statements. Internalizing the implications of a philosophical choice is crucial for coming up with a reflective and responsible scientific inquiry.

The critical philosophy that this research uses evolved from the works of renowned sociologists, Marx and Hegel, and encompasses political and post-modern theories of change (Morgan, 1997). According to political theorists, change is a *'clash of ideologies'*. "Humans generate conflict and conflict propels change during the clash of opposing political forces. When one group with apolitical agenda gradually gains power, it challenges the status quo towards its own interests" (Smith & Graetz, 2011: 14). According to Smith and Graetz (2011:14), "[a]s political entities, organizations comprise countless coalitions working together both overtly and secretly to secure power." This philosophical approach to change holds especially in the context of change processes in developmental states where the political power base of the state cannot be disassociated from organizational politics.

As per the developmental state logic, governments use their power and prolong their existence by inbreeding their cells across big public corporations which act as engines of development. If such big public corporations happen to be managed by individuals who are against the prevailing ideological thinking and/or have employees who question existing coalitions of political interest groups, making strategic changes to weed-out unwanted groups and replacing them by those who are politically affiliated is seen as an attractive alternative. In general, critical philosophers claim that strategic change is more of a political activity than a rational endeavor for securing human well-being (Smith & Graetz, 2011). Hence, following a critical realism approach helps in clarifying the connection between real reasons for strategic change and the empirical evidence of what actually happens in endeavors at achieving strategic change in a developmental state context; this is something that this dissertation focuses on. “Realism is indispensable for the notion of truth as a correspondence between our ideas and reality. A factual statement cannot be ascertained if there is no final arbiter independent of our cognizing” (Van de Ven, 2007:19). That is, there are different layers of truth in critical realism and the empirical is an agency between what actually happens and the real causes for why this happens. Similarly, “[r]ealism is indispensable because our conception of causality is dependent on our attempts to empirically understand the real world” (Van de Ven, 2007:19). That is, “[r]eality is viewed as the causal source and basis of the appearances, the originator, and determiner of the phenomena of our cognitively relevant experience” (Rescher, 2000: 133).

Bhaskar (1979) developed a form of realism known as *‘critical realism’*. Critical realism is viewed as a middle ground between *positivism* and *relativism* (Collier 1994; Harvey 2002; Kemp & Holmwood 2003). Philosophically speaking, “[r]eality (as opposed to mere opinions) serves as an external arbitrator or common referent in editing beliefs and theories for winnowing out inferior theories” (Van de Ven, 2007:61). From a scientific realist’s perspective, “there is a real world out there independent of what we think, but our attempts to understand it are severely limited and can only be approximated” (Van de Ven, 2005:134). Pettigrew (2001) claims that, “in the absence of unambiguous foundational truth in the social sciences, the only sensible way forward can be conscious pluralism.” I view strategic change ontologically as a *‘thing’* out there depending on the *scientific realism* view of the nature of reality – a version of *critical realism.* My epistemological stance is *subjective* (that is, an *interpretivist* way of producing knowledge*)* since I triangulate the empirical (as derived from the interviews, observational data, and archival sources), the actual (as derived from the empirical and theoretical analyses), and the real phenomena surrounding strategic changes. Change is an ever-existing reality whether one accepts it or not and so I see it as reality out there regardless of human consciousness. We might not be capable of perfectly capturing the change reality and thus our endeavors at capturing it most of the time are just approximations. This helps me conclude that strategic change research can be realistically approached using subjective epistemologies. Therefore, an interpretive approach is a fruitful method of digging out the connections between real causes and empirical data on strategic changes in a reflexive manner.

A reflexive interpretation is not confined to a single epistemological stance but can be commonly applied across alternative epistemological approaches and views of reality (Alvesson, 2003). It is just a matter of rigor and depth to approximately capture what is real or the real causes.

3.2 Research approach

This dissertation follows an abductive research approach, as abduction allows for free movement of critical reasoning from theory to empirical data and vice versa (Alvesson & Sköldberg, 2009). The logic of abduction calls for a systematic conjugation of actual, empirical, and ideal truths which fit with the critical realism viewpoint (Alvesson & Sköldberg, 2009). It allows a backward and forward movement of reasoning while generating knowledge. Hence, it allows me to go back and forth between theory and practice while tracing and explaining the strategic change processes in the case companies. According to Spens and Kovacs (2005), abduction can be defined as an approach which does not follow the patterns of pure induction or deduction and instead uses reasoning from the effects to causes or explanations or vice versa. “Abduction is a creative form of reasoning that is triggered by encountering anomalies and ends by selecting a plausible or coherent solution that might resolve the anomaly” (Van de Ven, 2007: 140). I use an abductive approach in my case study-based dissertation since it can contribute to strategic change literature by overcoming the possible lacunae of inductive and deductive approaches which are confined to explicating already known constructs via a deductive and cumulative process (Alvesson & Sköldberg, 2009; Spens & Kovacs, 2005). Abduction captures the inter-relationships between theoretical perspectives and empirical observations better in approximating the strategic change reality out there based on a critical realist stance.

3.3 Research design

A critical realist perspective calls for an in-depth and extensive analysis for better approximating the real causes and the actual happenings (Bhaskar, 2008). For this, I selected a case study research design to gain an in-depth understanding of strategic changes in a developmental state context, using two cases to allow for cross-case comparisons. My case study research investigates a phenomenon within a real-world context (Yin, 2014). I selected two cases to elaborate on the possibilities of replicating the theoretical lens for arriving at analytical generalizations and for attesting the validity of my empirical findings using contrasting cases. That is, “multiple cases resemble multiple experiments. Under these circumstances, the mode of generalization is *analytic* generalization, in which a previously developed theory is used as a template with which to compare the empirical results of the case study” (Yin, 2009: 38). The specific case study design adopted in this dissertation is a *holistic-revelatory two case design*. Contextually, the thesis holistically takes the strategic transformation of ETC to Ethio Telecom and the merger of CBE and CBB at the organizational level. The phenomena of interest are organizational level units and data were collected from employees at different hierarchical levels. The information thus collected was used for reflecting on the reality in and of the organizations.

My contemporary phenomena of interest are two cases of the strategic transformation of state-owned companies in Ethiopia. Quite recently, the state-owned Commercial Bank of Ethiopia (CBE) took over another state-owned but smaller bank, the Construction and Business Bank (CBB). This was an unexpected move even for those in the industry. Thus, this case of a merger is useful in understanding why and how strategic change unfolds in a developmental state context. The second case is a corporate transformation in the near past, of ETC to Ethio Telecom, with many complexities in this process, including the management contracting a French telecommunications company, controversial laying-off of employees, and a newly branded telecom company with a new business model and innovative technological services packages. A cross-case analysis of these two qualitative cases sheds light on the why and how aspects of strategic change processes in a developmental state context. The analysis was done using the organizational justice theory to highlight the justice-injustice trade-off while undertaking strategic changes.

3.4 Case selection through theoretical sampling

The case organizations, CBE and Ethio Telecom, were selected based on the phenomenon to be investigated. Major strategic changes had happened at Ethio Telecom and CBE which were triggered by the government's developmentalist orientation. Both case organizations were publicly owned though they operated in different service sectors. As both organizations are located in a developing country, they can contribute to a better understanding of strategic changes in a non-western context. The case organizations also ground the strategic changes as units of analysis. Given that the phenomenon under study is at the organizational level, the level of analysis is the organizational level which includes exploring the views of the actors (key informants) through interview data, observations, and archival sources.

In contrast to statistical sampling, theoretical sampling is convenient for qualitative research as the emphasis is on idea saturation but not on the number of observations for explaining research questions (Stoyanova, 2011). Key informants from both cases were selected adopting a snowballing (referential) approach. First, I approached some individuals at the top based on their positions in the organizations. However, since my prime objective was gaining a deeper understanding of the strategic change process, I requested each interviewee to refer me to more potential informants who were knowledgeable about the phenomenon that I wanted to study. Employees at different levels were targeted for the interviews. In addition, I also contacted some people who had recently had left their respective organizations to strengthen my data pool. I put special emphasis on the top management's team members at the time of data collection since they were directly responsible for strategic change initiatives and decisions. Those at the top had detailed information about the positive and negative aspects of the strategic change process.

In general, the selection criteria for key informants for the interviews were location, position in the business process (their positions), and their length of service. Hence, as the phenomenon of investigation was a strategic issue, the focus was on higher level officials who were members of the top management team. However, key informants from the middle and lower levels and employees in the branches were also included. The other aspect that I considered was employment history (I preferred interviewing those who were there before and after the strategic changes were made and those who were backed by multiple referrals). Finally, the potential key informants selected using these criteria and deemed suitable for interviews were contacted and the general purpose of the case study was explained to them. In principle, participation in the interviews was based on consent and their willingness to participate was confirmed in advance before conducting the actual interviews. I stopped the interviews when I achieved data saturation (Yin, 2013), that is, no new aspects were emerging during the interviews. I stopped the process after 48 interviews. Of these, 28 interviews were conducted for Ethio Telecom case and 20 for CBE case (including ex-CBB employees).

3.5 Data collection procedure and triangulation

The basic empirical data for this study was generated from primary sources collected through semi-structured interviews. As described earlier, semi-structured interviews were conducted with selected actors who were actively involved in the strategic change processes. These included those from the top management teams, change agents, and other actors and participants in the strategic change processes (transformation of ETC and merger of CBE and CBB). Extensive documentary records such as CBE and Ethio Telecom's annual reports, corporate reports, regulatory reports, magazines, websites of the banks and Ethio Telecom, and journals and government planning documents were also used. Besides, informal contextual knowledge was acquired as a citizen through sense-making of the phenomenon and general observations.

Triangulating the data sources is an effective means of off-setting the inherent biases in specific data collection methods (Creswell et al., 2003). Hence, "robust knowledge is a product of methodological and theoretical triangulation where evidence can be contradictory and knowing a complex reality demands use of multiple perspectives" (Van de Ven, 2007:48). I triangulated the data by combining different sources of data and theories to enhance the validity of my findings (Shah, 2009). Importantly, for this process I used multiple sources ranging from observational sources to document analyses. As a citizen, I observed the actual strategic changes and I also made un-structured observations during fieldwork while conducting the interviews. This helped me in understanding the ethnic mix of the employees, the power relations among them at different levels, and the general work environment. Tables 3.1 and 3.2 summarize the data sources.

General profile of interviewees and organizational affiliations

tog bort: Avsnittsbrytning (nästa sida)

Table 3.1: **Ethio Telecom (Case 1)**

Date	***Location***	***Time (Hour and Minutes)***	***Duration***	***Interviewee position and code***
Tue 22 Nov 2016	Dil Ber (*Headquarter 2*)	10:00AM	01:06	External HR Training Officer, Officer H1
Wed 23 Nov 2016	Headquarter 1	2:00PM	00:58	Strategy, Program and Project Management Officer, Officer S1
Thu 24 Nov 2016	Headquarter 1	9:30AM	00:36	COO, Officer CO3
Fri 25 Nov 2016	Dil Ber (*Headquarter 2*)	9:00AM	01:30	Quality Officer, Officer Q1
Fri 25 Nov 2016	Dil Ber (*Headquarter 2*)	10:50AM	01:05	Manager- Sales Reporting, Manager M1
Sat 26 Nov 2016	Headquarter 1	2:00PM	00:41	Financial Control and Analysis Officer, Officer F1
Mon 28 Nov 2016	Headquarter 1	10AM	00:57	HRD Officer, Officer H2
Wed 30 Nov 2016	Headquarter 1	4:00PM	00:46	Placement Officer, Officer H3
Thu 01 Dec 2016	Headquarter 1	3:00PM	00:45	Personnel Management Officer, Officer H4
Fri 02 Dec 2016	Dil Ber (*Headquarter 2*)	3:40PM	00:37	Indirect Channels Manager, Manager M2
Mon 05 Dec 2016	Dil Ber (*Headquarter 2*)	9:40AM	00:43	Process Officer, Officer P1
Mon 05 Dec 2016	Dil Ber (*Headquarter 2*)	2:00PM	00:50	Support Division Manager, Manager S1
Tue 06 Dec 2016	Dil Ber (*Headquarter 2*)	2:00PM	00:44	Product Development Manager, Manager P1
Wed 07 Dec 2016	Headquarter 1	10AM	00:47	Benefits and Compensation Officer, Officer H5

Thu 15 Dec 2016	Headquarter 1	10:30AM	01:22	Internal Communication Manager, Manager C1
Tue 14 Feb 2017	Headquarter 1	11:00AM	00:49	HRD Officer, Officer H6
Sat 4 Mar 2017	Other organization	10:40AM	00:56	Ex-employee, E1
Mon 20 Mar 2017	Sidist Kilo (NAAZ)	2:40PM	00:53	Supervisor -IDC (Branch Staff), Supervisor S3
Mon 20 Mar 2017	Sidist Kilo (NAAZ)	3:43PM	00:39	Staff (Branch), Employee E2
Tue 21 Mar 2017	Sidist Kilo (NAAZ)	3:30PM	01:00	Supervisor – Technique and Operations (Branch Staff), Supervisor S4
Wed 22 Mar 2017	Sidist Kilo (NAAZ)	3:12PM	00:44	Facility Specialist (Branch Staff), Manager F1
Thu 23 Mar 2017	Sidist Kilo (NAAZ)	9:05AM	00:49	Supervisor – Legal Unit (Branch Staff), Supervisor S5
Wed 29 Mar 2017	Legehar (CAAZ)	9:40AM	00:42	FAN - Supervisor (Branch Staff), Supervisor S6
Wed 29 Mar 2017	Legehar (CAAZ)	10:35AM	00:47	Regional Trainer (Branch Staff), Manager T1
Wed 29 Mar 2017	Legehar (CAAZ)	2:20PM	00:52	HR Specialist (Branch Staff), Manager H6
Wed 29 Mar 2017	Legehar (CAAZ)	3:30PM	00:50	Logistics and Facility - Supervisor (Branch Staff), Supervisor S7
Fri 31 Mar 2017	Legehar (CAAZ)	2:00PM	00:38	HR Staff (Branch Staff), Employee E3
Mon 3 Apr 2017	Legehar (CAAZ)	2:20PM	00:58	IDC - Coordinator (Branch Staff), Manager C2

Table 3.2: **Commercial Bank of Ethiopia (CBE) - Case 2**

Date	***Location***	***Time***	***Duration***	***Interviewee position & code***
Fri 20 Jan 2017	Headquarter 1	10:10AM	00:49	HR Recruitment and Selection Manager, *Manager HR1*
Mon 23 Jan 2017	Debrework Building (*Headquarter 2*)	10:07AM	01:22	Manager of Change Management Office, *Manager CM1*
Mon 23 Jan 2017	Debrework Building (*Headquarter 2*)	2:11PAM	00:52	Compliance Manager, *Manager CM2*
Tue 24 Jan 2017	Headquarter 1 *(Ex-CBB)*	10:51AM	00:50	HR Transactions Senior Controller, *Controller HR2*
Wed 25 Jan 2017	Kidist Sillassie (*Headquarter 3*)	10:23AM	01:01	Business Development Support Officer, *Officer BD1*
Wed 25 Jan 2017	Kidist Sillassie (*Headquarter 3*)	2:06PM	01:02	***Two interviewees* -** Product Development and Management Manager and Product Development Principal Officer, *Manager PD1 and Officer PD2*
Thu 26 Jan 2017	Debrework Building (*Headquarter 2*)	1:35PM	00:49	Trade Service Manager, *Manager TS1*
Fri 27 Jan 2017	Kidist Sillassie (*Headquarter 3*)	1:00PM	01:12	R&D Officer, *Officer RD1*
Mon 30 Jan 2017	Kidist Sillassie (*Headquarter 3*)	2:20PM	00:36	Acting Communication Manager, *Manager AC1*
Thu 16 Feb 2017	Debrework Building (*Headquarter 2*)	9:00AM	00:35	Manager – Office of Strategy Management (OSM), *Manager SM1*
Thu 16 Feb 2017	Headquarter 1	5:40PM	1:00	Financial Institutions Relationship – Senior Officer, *Officer FI1*
Sat 18 Feb 2017	Headquarter 1	1:48PM	01:31	Credit Management Process Officer, Officer CM3
Wed 22 Feb 2017	Debrework Building (*Headquarter 2*)	3:04PM	01:26	Planning Senior Officer, *Officer PS1*
Thu 23 Feb 2017	Debrework Building (*Headquarter 2*)	3:28PM	01:20	Change Management Senior Officer, *Officer CM4*
Sat 25 Feb 2017	Debrework Building (*Headquarter 2*)	10:48AM	01:08	M&E Senior Officer, *Officer ME1*
Mon 27 Feb 2017	Debrework Building (*Headquarter 2*)	10:33AM	01:18	M&E Senior Expert, *Expert ME2*

Sat 1 Apr 2017	Debrework Building (*Ex-CBB*)	9:10AM	01:13	Strategy Expert – *(Ex-Business Development Director (CBB)), Expert SM2*
Sat 1 Apr 2017	Debrework Building (*Ex-CBB*)	10:30AM	00:39	Planning Officer (CBE) – *Ex-HRD Team Leader (CBB), Officer PS2*
Thu 6 Apr 2017	Debrework Building (*Ex-CBB*)	1:40PM	01:21	M&E Manager (CBE) – *Ex-Strategy Management and Communication Director (CBB), Manager ME3*

3.5.1 Semi-structured interviews and my role

A lot of research on change relies on retrospective data which can also be generated by retrospective interviews since any change has to be analyzed using historical and contextual time bound dimensions (Van de Ven, 1992). The core task of a researcher here is generating such data from various sources, one of which is primary sources using semi-structured interviews. An interview by its nature is a tool that enables the gathering of rich and time phased data touching the past and the present to hint about the future. However, great care should be taken to mitigate retrospective biases because of memory lapses and other intervening reasons (Van de Ven, 1992).

I adopted a semi-structured interview approach to allow for greater flexibility and accommodation or regeneration of additional questions while the interview was progressing. This helped me gather rich information that might have been lost if the focus had been on a pre-specified set of questions. Thus, flexibility is related to active idea triangulation. “One criterion of a good interview is short questions followed by long answers which implies an interviewer who is withdrawn than being active” (Alvesson, 2003: 16; Flinders, 1997; Kvale, 1996, 2006). In the interviews, I tried to learn what was unknown (*‘reality out there’*) using a subjective epistemological stance. Thus, “language is a transparent medium for communication of insights, experiences and facts” (Alvesson, 2003: 27). Here I presuppose that language by itself is not a reality as far as critical realism is concerned. Thus, my major position as an interviewer was inclined to *‘neo-positivism and localism’* (Alvesson, 2003). That is, I acted as a critical interpreter of contextual phenomena.

When I approached the key informants, they first thought that I had come from the government for spying purpose. But, after a detailed explanation of who I was, almost all of them were open-hearted and freely told me the pros and cons of their organizations, even grapevine gossip. My background being from Addis Ababa University (AAU), a pioneer and independent higher educational institution in Ethiopia, and the general perception is that if someone comes from AAU, the person has to be unique in terms of his/her academic capabilities and that he/she is critical of the government’s agenda (that is, an ideological opposer). This is because many competent academicians who join AAU criticize the government boldly without fear. So, the interviewees’ fears that I was government spy were greatly minimized by my institutional background. Typically, they took the interview as an opportunity to throw-out what had piled up in their minds and free their minds of any mismanagement or other discontent that they had. Some even saw my interview guide (refer to the appendix) as something which addressed their inner feelings and they were all keen to see my final conclusions and results.

3.5.2 Documents – secondary sources

Table 3.3 provides a list of archival sources (secondary data) that I used in conjunction with primary data collected through semi-structured interviews and personal observations for data triangulation purposes for ensuring the validity of my findings.

Table 3.3: ***Archival sources***

- Ethio Telecom’s company profile 2013
- Ethio Telecom’s customers’ charter 2015
- Ethio Telecom’s customers’ charter 2016
- Telecom business news November 2016
- Telecom business news July 2016
- Telecom business news April 2015
- Ethio Telecom’s company profile 2015
- Fenote Telecom – quarterly bulletin, October 2017
- Ethio Telecom - *Promise 2020* – Vision, mission and strategic initiatives brochure
- Capital Ethiopia Newspaper - January 8, 2013
- The Ethiopian Reporter Newspaper - January 2, 2011
- Ethio Telecom *e-newsletter – 2017 semiannual plan performance report*
- ETC’s strategic issues for 2006 – 2008
- Telecom magazine – 2016 first quarter plan performance report and grand project initiatives
- Ethiopian Telecommunications Corporation’s company profile 2006
- Ethiopian Telecommunications Corporation’s company profile 2008
- Telenegarit 2007
- Historical background of ETC and its current status – annual conference presentation report - 2008

- Website: www.ethiotelecom.et
- Ethio Telecom’s 2017 fiscal year executive management evaluation report’s minutes
- CBB news - February 2016
- Profile of the Commercial Bank of Ethiopia, 2014-15
- CBE Informer October 2017
- CBE Informer May 2012
- CBE Informer December 2016
- CBE Informer February 2016
- CBE’s internet banking brochure
- CBE’s saving and saving accounts’ services brochure
- CBE’s money transfer channels brochure
- CBE’s foreign money transfer services and win a prize brochure
- CBE’s interest free banking services brochure
- CBE’s mobile banking brochure
- CBE women’s savings account brochure
- CBE’s international trade service brochure
- CBE youth saving accounts brochure
- SWIFT money transfer services brochure
- Commercial Bank of Ethiopia’s company profile – 2009-2010
- Website: www.combanketh.et
- Ethiopian Fortune newspaper published on December 23, 2015
- CBE’s corporate strategy document (2015/16 – 2019/20)
- CBE’s organizational structure and list of hierarchical posts
- National Bank of Ethiopia’s bank supervision information kit

3.6 Data analysis

I did a verbatim careful transcription of the semi-structured interviews which were properly recorded. The semi-structured interviews were made in Amharic since it was easy for interviewees to express their views fluently in Amharic though some were also fluent in English. The use of Amharic also helped in minimizing the loss of ideas since it is the native language of the key informants. I translated the Amharic version into English in verbatim transcripts. I put in an earnest effort for capturing what the interviewees meant by taking the context into account. I played each tape recorded interview again and again to minimize the risks of losing the meaning and also searched for suitable explanatory words and concepts. My preliminary interpretations and searching for patterns in the data started with the first interview in earnest even though this process had started when I had developed the interview guide and set out the research questions to guide my dissertation. The analysis is thus continuous, rather than being a sequential activity; it moved back and forth between the data and theory till the final text was produced.

I followed the Gioia methodology while developing the themes inductively. Gioia and his colleagues acknowledge that "[a] myriad of informant terms, codes, and categories emerge early in the research. In this 1st-order analysis, which tries to adhere faithfully to informant terms, we make little attempt to distill categories, so the number of categories tends to explode on the front end of a study" (Gioia et al., 2013: 20; also see, Langley, 1999; Lincoln & Guba, 1985; Locke & Golden-Biddle, 1997). Gioia et al. (2013: 20) explain that, "as the research progresses, we start seeking similarities and differences among the many categories. It is at this point that we treat ourselves as knowledgeable agents who can (and must) think at multiple levels simultaneously (i.e., at the level of the informant terms and codes and at the more abstract, 2nd-order theoretical level of themes, dimensions, and the larger narrative)." Thereafter, I distilled the data to a more abstract and conceptual level – *'aggregate dimensions'* -- that can approximately portray the reality (Gioia et al., 2013).

I did the analysis using the following process: first-order analysis, second-order analysis, and finally aggregate dimensions as well as backward integration with theoretical aspects in an abductive manner. The theoretical rigor and nearness to knowledge building increases as one moves from the raw first-order data to the more abstract aggregate dimensions. The step-wise progression of the analysis is provided in Tables 3.4 and 3.5. Along similar lines, "interpretive researchers assume that access to reality (given or socially constructed) is only through social constructions such as language, consciousness, shared meanings, and instruments" (Myers, 2008: 245). However, according to critical realists, it is possible to study a reality *out there* using subjective epistemologies as approximations rather than taking the language itself as reality. I used an interpretative approach in such a critical realist sense.

Importantly, "a reflexive approach does not privilege a particular ontology but can in principle be combined with various paradigms and specific theories" (Alvesson, 2003: 25). Thus, I interpreted the empirical, the actual, and the real (abstract theoretical truth) (Klein & Myers, 1999). That is, I did a reflexive interpretation as suggested by Alvesson and Sköldberg (2009) in the analysis phase. There are four levels of a reflexive interpretation: "interaction with empirical material (accounts in interviews, observations of situations and other empirical materials), interpretation (underlying meanings), critical interpretation (ideology, power and social reproduction), reflection on text production and language use" (Alvesson & Sköldberg, 2009:273). A much as possible, I followed these levels of interpretation to be strictly reflective to come up with a thorough analysis. Hence, I attempted a closer approximation of the strategic change reality.

Table 3.4: ***Summary of a color-coding analysis (Ethio Telecom)***

No.	***Issues (First-order Analysis)***	***Themes (Second-order Analysis)***
1	• Pre-transformation change trials • Programs for telecom development in various periods • Inception of the idea of radical strategy reorientation	**Change history (pre-transformation)**
2	• Politicizing the telecom business and control • Political affiliations and role assignments • Government interventions and commitment to transformation	**Politicking**
3	• The need for radical telecom modernization • Polarization of customer needs • Contextual distinctiveness of the transformation • Developmental state agenda	**Context**
4	• Power centralization and control • Domination of the telecom business and technological infrastructure • Power shift and ethnic orientation • Movement from decentralization to centralization	**Domination**
5	• Embarking on an identity change (ETC to ET) • Rebranding and strategy reorientation • Injection of fresh graduates for building a new culture • Cultural shift • Deconstruction of the existing social ties and group bondage • Reorientation of the company to its core business	**Identity change**
6	• Trust in the telecom company started shrinking • Uncertainty and speculation • Skepticism about the changes and the company	**Organizational trust**
7	• Change leadership approach • Invisible leadership • Unidentified steering committee • Role confusion between Ethiopian leaders and the FT team • Coercion using political capital	**Change leadership**
8	• Attitudinal predisposition	

	• Perceptions about the change • Cultural rigidity	**Change attitude and perception**
9	• Closed communication • Change communication platforms and problems • Legalizing email communications • Informal groups and rumors	**Nocturnal communication**
10	• TPO formation as a change agent coalition • Selection criteria of TPO members and politicking • New telecom business process' designing and customization • Decision on management contracting • International telecom framework adoption (eTOM) • Succession planning and coaching • Experience sharing and knowledge spill-overs from FT • Monitoring and evaluation of FT's performance • Employee reactions -- passive and overt resistance flourishes • Employee downsizing and placement challenges • Coalition formation for the change and grouping • Transformation process management • Establishment of Hidassie Telecom • Stabilization work and alignment with socio-political situations • Bidding for telecom operators • Public reaction • Impact of the transformation • Delegation matrix • The content aspects (strategy orientation, employee reassignment, and technology adoption) • Structural surgery and employee screening • Readiness aspects • Consultancy syndrome and contract management • Special retirement rule (40-25/50-20) • Automation (standardization)	**The change process:** • **BPR trials** • **TPO formation** • **Business process development and customization using the eTOM framework** • **Management contracting** • **Structural surgery** • **Placement and redeployment strategy** • **Resistance** • **Takeover by the local management** • **Stabilization of the change**

Table 3.5: ***Summary of the color-coding analysis (CBE)***

No.	***Issues (First-order Analysis)***	***Themes (Second-order Analysis)***
1	• From a traditional to a modern banking system • Strategic reorientation and rebirth of CBE (make or break) • BPR (antecedents, benchmarking, process, and one-window shopping) • Core processes • Succession pool • Movement from centralization to decentralization (district structures and power) • Banking technological products (innovation - imitative customization) • Penetration rate of internet and mobile banking (creating a cashless society)	**Change history of CBE and CBB (pre-merger phase)**
2	• Governmental commitment to strategic change • Decision by council of ministers for merging CBE and CBB • Strategic changes linked to government's reform initiatives • GTP and financial sector's responsibilities • Shift from credit strategy to resource mobilization • Shift to universal banking (strategic diversion by CBB – '70-30' strategy) • Antecedents of the strategic reorientation to universal banking by CBB • Mortgage specialization aborted by the government's developmental policy • Risk of emphasis on development • Vision 2025	**Developmental orientation**
3	• A push versus pull working culture • Contextual differences between CBE and CBB (power distance, structure, and negotiation powers) • Financial literacy and inclusion strategy • Accessibility and savings habit • Urbanization and booming construction versus amalgamation • Liberalizing the banking sector and WTO accession readiness as a precursor to the merger • Role of NBE and PFEA (role, responsibilities and mandates) • Banking industry regulation versus strategic changes • Team work culture • Corporate citizenship	**CBE and CBB's context**

4	• Conceptual ambiguity: merger/acquisition/integration/amalgamation/takeover • Amalgamation decision • Antecedents of amalgamating (duplication of the institutional mandate - overlapping of CBB and CBE's services) • Source of merger initiative • Amalgamation process and its management (forming an amalgamation team and its composition, system integration, career path displacement, assimilation, and quick socialization of CBB's employees) • The fate of a common company - commercial nominees' ownership • Hierarchy based passive resistance (top management's dissatisfaction, customers' reactions, and demotions in job grades) • Commitment to the amalgamation	**Amalgamation/absorptive merger**
5	• Developmental engagement versus commercial banking • Financial intermediation • Financial inclusion versus profit maximization • A bank with a two-edged sword • Divergence in institutional domains • Strategic orientation and emergent government demands • Autonomy	**Institutional duality/role ambiguity**
6	• Identity loss (causes and consequences - disruption of social bonding and loss of ownership) • Implications of maintaining CBB's identity	**Identity change**
7	• Aggressive branching out (state of branches, rationale, and creating awareness in society) • Door to door resource mobilization approach • Branching and employment relief (massive attraction for professionals) • Branching directive by NBE • Proportion of money in the banks • Unit banking versus branch banking strategy • Increasing reach via agent banking • CBE's foreign branches	**Corporate plasticity**
8	• Politically affiliated board composition • Board and top management's commitment at CBE • Merger project leadership (top-down approach) • Leadership visibility and style • Top management's authoritative inertia	**Merger leadership**

9	• Perceptions about the merger • Feeling of being a stranger • Feelings of abduction • Group casting • Attitude towards banking technologies (rigid culture versus receptiveness to technology) • Accidentality of the merger for the middle and lower levels	**Attitudes and perceptions**
10	• Communication confined to the top management team • Change communication platforms and problems • Communication in two voices by CBB (40th year anniversary versus merging) • Communication during the amalgamation process • Induction meetings	**Communication platforms**
11	• Implications of the merger for private commercial banks • Position and career path displacement • Outcomes of the strategic move • Demand driven bank formation • Discouraging credit and encouraging consumption • Shrinking branches and dependence on technology	**Outcomes and implications**

Based on the first-order analysis' results that directly reflect issues extracted from the color-coding analysis of the transcribed material, second-order themes were derived as indicated in the second column of Tables 3.4 and 3.5. Finally, the highest-level concepts, or the so-called *'aggregate dimensions'* were constructed abductively by interlinking the empirical data and the theoretical concepts discussed in the literature review section. Figure 3.1 gives the converging data structure of the aggregate dimensions of both the cases (the strategic transformation of ETC to Ethio Telecom and the absorptive merger of CBE and CBB).

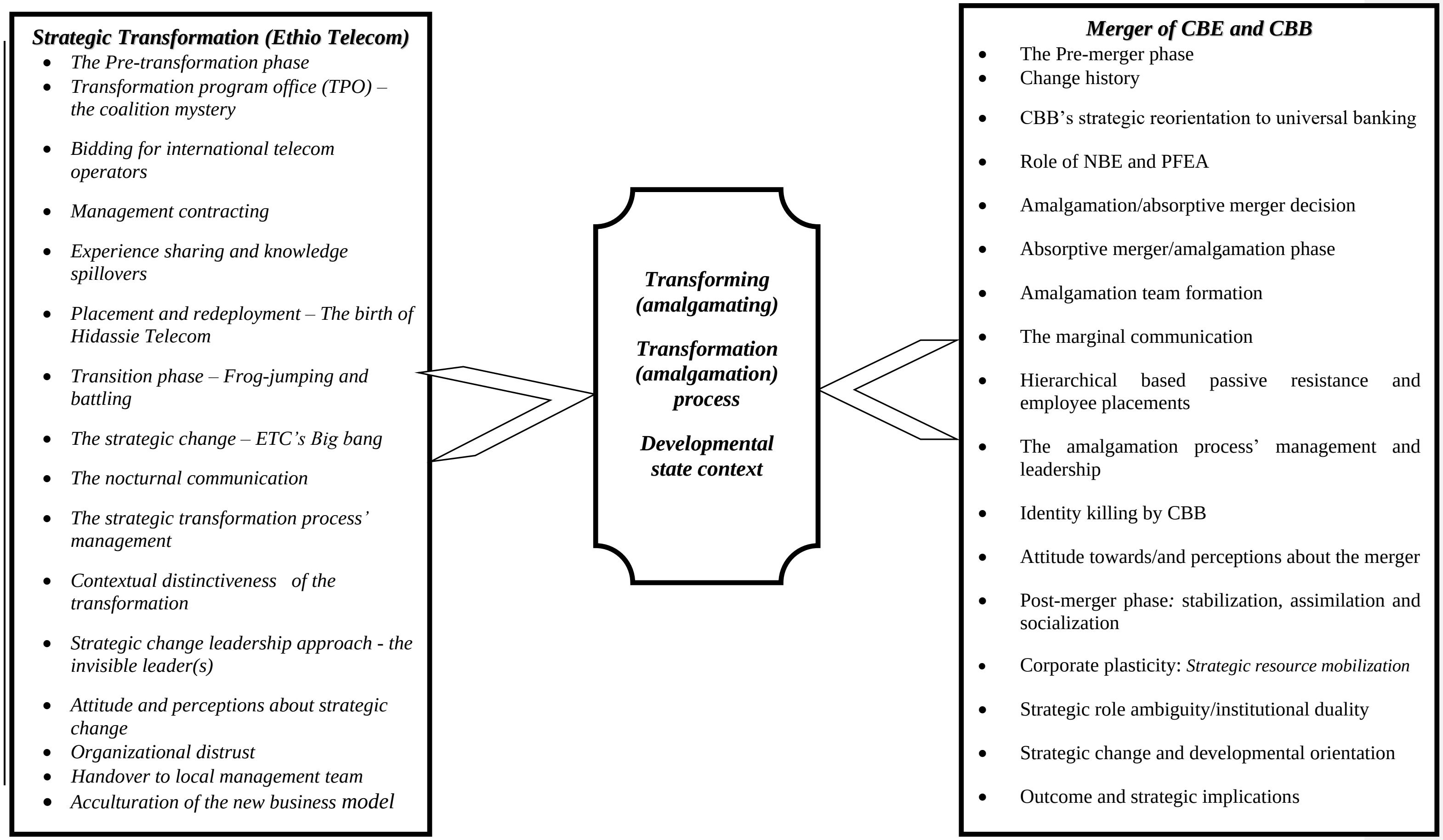

Figure 3.1: ***Data structure***

3.7 Research ethics and quality

In qualitative research, as the actors (key informants and the interviewer) are human subjects, ethical concerns while collecting, analyzing, and interpreting data warrant genuine and moral attention. "Processes and phenomena, where human beings are involved, are not simply a sequence of mechanical devices which can be assumed to work along positivistic beliefs, are instead a complex network of living, innovative, creative and evolving creatures which react and adapt dynamically to their perceived environment, and try proactively to create what they themselves, or collectively with others, find to be beneficial to their own interests" (Patton, 2002:106).

Hence, I value and maintained a high ethical orientation in treating my key informants and what they told me. I had secured a legal letter from the Department of Management at the Addis Ababa University explaining my identity and the objective of my dissertation to get access to key informants. This letter was received by the concerned HRM offices in both the case organizations and was forwarded to the referred units. In addition, to build confidence I also showed them my organizational (as AAU staff), student (as PhD student), and Kebele (as a resident of Addis Ababa, Yeka sub-city) identification cards. Participation in the interviews was based on the consent of the key informants. Before I started the interviews, I made sure that the interviewees were willing to have our conversations recorded. While analyzing the transcribed dataset, I maintained the key informants' anonymity to prevent any harm to them because of what they had said. I tried to maintain professional discipline and ethics in all respects as a convention. In particular, I tried to cover sensitive issues objectively without my views coloring them. Maintaining professional ethics and academic discipline is an unwritten law but it is printed in my mind and heart, benefitting me more than anybody else.

Transparency in the approach followed is one criterion of good research quality (Pratt, 2008). To achieve validity and reliability, a careful contextual design of the case study, source and data triangulation, rigorous analysis, incorporation of ideas of external critics and their feedback, consideration of two contemporary cases in a similar context for ensuring reliability, and logical connection to the literature via abductive reasoning was done (Yin, 2009).

Chapter 4: Findings and Analysis of the Ethio Telecom case

This chapter explains the Ethio Telecom case. The findings are presented in a phase-wise analysis of the transformation process. It starts by highlighting the contextual and historical grounds prior to Ethio Telecom's transformation as background for the subsequent phases which strategically transformed the Ethiopian Telecommunications Corporation (ETC) to Ethio Telecom (ET). These strategic changes passed through many ups and downs, including fierce public criticism, aggressive resistance, massive and non-transparent lay-offs, management contracting, technological upgrading, and the renovation of telecom services. It was a two-and-a-half-year long transformation during 2010-12 that resulted in a complete power shift, strategy reorientation, a new business model, and new branding. The analysis covers the pre-transformation phase; the formation of the transformation program office; bidding for international operators; management contracting; placement and redeployment; the transition phase; handing over to the local management team; and acculturation of the new business model. The chapter also discusses a within-case and gives the lessons learnt.

4.1 Company profile

Ethio Telecom's company profile helps in grounding strategic change as the unit of analysis before presenting the findings.

Telecommunication services in Ethiopia were pioneered by the far-sighted and intelligent Emperor Menilik II in 1894. Emperor Menilik II is remembered for his openness in introducing technological breakthroughs and welcoming the modernization of Ethiopia.

We can identify five epochs in the evolution of the telecom sector in Ethiopia. The first was in 1894-1942. In this period, telecom operations were restructured in various stages. First, the management of services was under the Imperial Court of Menilik II and was run by the 'Central Administration of Telephone and Telegraph System of Ethiopia' (1894 to 1907). The services were renamed 'The Central Office of Post, Telegraph and Telephone system of Ethiopia' in 1907-09. In 1910, the services were again reorganized as the 'Ministry of Post, Telegraph and Telephone' and remained under same umbrella till 1941.

The second grand epoch was the post-war restoration of the telecom network in 1942-52. After two wars of against Italy, Ethiopia managed to maintain its independence successfully. In 1952, the 'Imperial Board of Telecommunications of Ethiopia' was established and telecommunication services were moved from the post office. The third period was from 1952 to 1996. During this period, the telecom company again passed through different names and in 1996, its name was changed to the 'Ethiopian Telecommunications Corporation' (ETC).

The final period covers 2010 onwards. In this period, a new milestone in the telecom sector was achieved by transforming the then ETC to a new organization, Ethio Telecom (ET), with a new business model, new strategic orientation, and a new way of doing business. ET is a government monopoly, it is the sole provider of telecom services including fixed lines, mobiles, M2M, internet, VPN/data, VSAT, and international connectivity. It is one of the five developmental enterprises in the country. In 2010 it underwent a major strategic change from ETC to Ethio Telecom when its management was contracted to France Telecom for managing the strategic transition. The company has 13 divisions and 2 departments directly reporting to the CEO. It has three process domains: commercial, technical, and support. Currently, there are more than 566 business processes in the company which are accountable to the commercial domain (which includes residential, residential sales, enterprise sales, marketing, and customer services); the technical domain (network division and information systems); and the support domain (HR, finance, sourcing and facilities, internal audits, security, legal, the strategic planning unit, and corporate communication). Ethio Telecom envisions becoming a world-class provider of telecom services.

Table 4.1 gives facts and figures about Ethio Telecom's '*Promise 2020'* (vision and mission).

Table 4.1: ***Promise 2020***

Key facts of 2016	***Key facts of 2017***
Total customer base = 47.4 million	Total customer base = 64.23 million
New customers = +7.6 million	New customers = +16.84 million
Revenue = 28 billion birr	Revenue = 40 billion birr
Incremental revenue = +6.5 billion birr	Incremental revenue = +12 billion birr
Mobile penetration = 49.2%	Mobile penetration = 65%
Note: *The penetration promise for 2020 is projected to be 100%*	

Source: Marketing and Communication Division, Ethio Telecom (2017).

4.2 The Pre-transformation phase (2005-08)

The pre-transformation phase focuses on the situation surrounding ETC as a publicly owned telecom monopoly in Ethiopia before it was transformed.

ETC's structure was composed of districts, zones, and branches. The geographical dispersion of ETC's districts and branches made it difficult to exert central control from the headquarters. Hence, the districts had been granted autonomy before 2010. Every regional district recruited its own staff without involving the head office since a centralized control system was not in place. Further, ETC lacked focus on its core business:

> *"Every regional district had been operating with relatively full autonomy. Fragmentation had characterized ETC for a long time" (Manager C1)*.

Surprisingly, ETC had multiple financial accounts though a single corporation is expected to have one central account and there was no clarity on how they were managed. ETC appeared to be slow, unautomated and a paper-based operation which had infrequent and delayed exchange of strategic information and was unresponsiveness to customer requests. The ETC era was characterized by a largely dysfunctional system. The meager network capacity served only a few customers who had to queue for long to get services, purchase SIM cards informally, and rent the mobile apparatus. Issuance of special priority organizational letters to get SIM cards and difficulty in voucher cards to fit in mobiles were also common in the ETC era. In addition, reports of corporate level performance only gave forecasted figures, as it took a long time to gather data from the regional offices. Due to its structure, the company was difficult to control. At the same time, the ETC era was also characterized by increasingly informed customers and increased levels of frustration with a perceived lack of knowledge among its staff members.

However, different efforts were made in the pre-transformation era to modernize the telecom industry in line with Ethiopia's growth and developmental aspirations via seven inter-generational development programs that ran from 1953 to 1999.[2] All the programs aimed at the expansion of telecom services for the citizens and connecting Ethiopia to the world. This was

[2] The first development program ran in 1953 -61, the second in 1962-64, the third in 1965-67, the fourth in 1968-73, the fifth in 1975-83, the sixth in 1984-93, and the last in 1994-99 *(Source: Company profile report, 2008)*.

expected to have a direct spill-over effect in Ethiopia's social, economic, technological, and political spheres. Massive telecom expansion was launched in 2005 when one of the substantial changes in the network area was the infrastructural project executed by ZTE. This network expansion project changed the performance of the corporation dramatically. Network coverage, subscriber base, and corporation's capacity increased drastically. Earlier, the company had lacked customer focus and its working systems were outdated. As an example of poor customer handling, an interviewee said:

> *"When I was a university student, I made a call via a public phone and it ate my money without connecting. I told ETC workers' using another phone what had happened. They responded that I should go away from that area otherwise it would eat me too" (Officer F1).*

By 2007, the massive telecom expansion had embraced the Next Generation Network (NGN) project raising issues about continuing with a business as usual policy or bringing strategic change to the top of the agenda. The previous telecom network type was PSTN (public switched telecommunications network). When PSTN was changed to NGN, all business processes were affected. An interviewee said:

> *"When there is technology change or growth, it will trigger strategic organizational transformation. Thus, the change in the network technology from PSTN to NGN prompted the need for strategic transformation" (Officer CO3).*

Besides, the new technology was difficult to implement by the existing organization and how it functioned and it became evident that the organization needed to be transformed. Later, mutual understanding was reached between the board and ministerial level authorities on this transformation and the question of how to transform came center stage. The board of directors thought of replacing individuals at the top to change the leadership approach. Next, result-oriented performance management was implemented for some time. Thereafter, the Ministry of Transport prepared the terms of reference for implementing business process re-engineering (BPR), as was done in other organizations since BPR was a fashion at that time in many Ethiopian organizations. This was initiated by ETC's former CEO. A taskforce composed of employees from different functional units was established to study the status quo. A central debate among board members was whether BPR would be helpful or not. Critics argued that BPR would simply re-engineer the existing PSTN. Some took a firm stand that this strategy would not bring about radical changes to the network or increase the overall efficiency of the organization:

> *"The movement was a technological shift from PSTN to the next generation network which would not be answered by mere re-engineering of the existing processes (BPR) as witnessed"* (*Officer CO3).*

The initiated BPR project was not very successful due to ETC's complex nature. Connected to this, the deputy minister (who was also the chairman of the board of directors) declared that ETC's century-old backlog and sluggishness could not be improved by simply re-engineering the processes; instead they demanded a radical transformation of modernizing its operations.

Hence, in 2008 ETC established a program office to bring about a radical transformation. Due to the internal problems and following the government's directions which indicated the need for changing the working system, the telecom corporation was pushed into a series of change efforts. The first intervention was upgrading the network capacity and technology in use. Once the network expansion projects were implemented, it was noticed that the corporation would not be able to cope with the expanded network capacity. Hence, an improved HR and organizational system that could manage and shoulder this newly created network capacity was needed. A consensus was reached by the top management to adjust the structure of the organization for which American consultants were recruited with the aim of reorganizing the business processes that were in place. A company named PTE was selected and a charter team of 20 members was formed for the re-engineering. BPR was initiated with the help of American consultants. But BPR calls for identifying the status quo and designing a new one. After a while, it became clear that BPR would not bring about the desired changes and results in the organization. *"We have to stop here,"* was the decision by the top management in 2009. This decision was justified by saying that it was necessary to radically rejuvenate and transform ETC. The BPR initiative was halted to search for a new framework. A key informant added:

> *"The other thing is that in ETC, there were no aligned work processes and instead there were isolated functional units with separating barriers. It was not clear how the work flowed in each department and cross-functionally. Though each department had plans, it was difficult to correct systemic problems and problems created by employees themselves due to the absence of clearly aligned business processes" (Supervisor S4)*.

During the ETC era, there were smooth and trusted relationships between the top management and those at the lower levels of the hierarchy. For instance, employees' questions were quickly answered by the management. Immediate bosses responded to employees' requests quickly without referrals. An employee could easily know what kind of position he/she could reach after recruitment, that is career paths were clear and straightforward. Besides, in the ETC era there was a strong labor union which fought for employees' rights. The career path structure was clear, employees were empowered, and they were at the center of the business (that it, ETC followed an employee-centric policy). However, there was a visible problem of downplaying the increasing competency needs thanks to changing technology. When a modern telecom technology was introduced, ETC was totally dependent on venders (mostly Chinese) since domestic experts could not operate the new technology before 2010. An interviewee indicated:

> *"Further, the ETC era was characterized by various bureaucratic chains and misappropriations. For instance, if you see the internal promotional ladder and management development, it was governed by friendship and networking. Some employees longed for a time when the old top management team would change" (Employee E2)*.

In sum, meeting future customer expectations, enhancing technological infrastructure for other sectors, and contributing to the country's development agenda had been ETC's core mandate linked to Ethiopia's developmental state orientation. The Ethiopian government believed that ETC as a technology company should be at the forefront of management practices and development as compared to the other sectors. If the telecom company did not transform, the development of the other sectors too would be stunted.

Given this situation, the government as the sole owner of ETC decided to go in for its strategic transformation. A transformation program office (TPO) was established and a taskforce assigned to it. The next section discusses the issues surrounding TPO from the time it was established (2008) to its dismantling (2009).

4.3 Transformation program office (TPO) – *The coalition mystery* (2008 – 09)

As previous attempts at improving ETC's operations and adjusting the organization had largely failed, the need for full transformation was agreed on and a transformation program office (TPO) was established for this which had the responsibility of upgrading technology, developing business processes, and building the workforce's capabilities. The taskforce established for

BPR's implementation was reshuffled and a new team comprising 16 individuals was selected for the new office. An employee from the lower rung recalls:

> *"The selection criteria for the TPO taskforce were more subjective though they were supposedly centered on knowledge, attitudes, and skills. The attitude aspect was mainly measured by political engagement since 50 -60 percent of the team members were suspected to be politically affiliated" (Ex-employee E1).*

The final decision for hiring workers was taken based on the management's recommendations and '*other things'*. This method was not transparent for most employees. This justifies labeling TPO as a 'coalition mystery'. Consultants were recruited from outside (mainly Britishers, Americans, and Indians) to support the local team in the process restructuring. Moreover, around 15 additional experienced senior managers from other industries and companies in Ethiopia were also added to the transformation team. They were selected based on their prior commitments and diligence in different capacities as the government believed that prior experience was required in the change effort. But, the implication of this move for the employees was not properly addressed so they felt that the outside senior managers lacked experience in the telecom industry. Some members of the top management were also selected from within ETC. An interviewee from the middle management stated:

> *"The transformation program office became autonomous and focused on transformation tasks. It was not under the ex-CEO's leadership. This office was supplied with the required resources and was separate from normal ETC operations" (Manager M2).*

After it was established, TPO started recruiting capable and energetic professionals to come up with a process-based system design that could accurately link all systems and relationships for enhancing the efficiency of its telecom operations. The top management believed that capable and competent human resources, latest technology, knowledge, and attitude and skills were crucial for modernizing the corporation. Thus, the office was assigned another 40 individuals from inside ETC as well as from outside (having BPR experience in other organizations). At the same time, ETC recruited 1,000 new graduates directly from universities on a competitive basis and from this pool, 60 competent and committed individuals with the right attitude were selected and added to the TPO team. The office was engaged in business process development and studies on how to expand the company's capacity to cope with the expanded network capacity as well as growing customer demands. A chief officer from the process division said:

> *"The TPO in general started work by expanding the telecom network, designing the business process, and building the capacities of the employees as its objectives of the technology transformation agenda" (Officer P1).*

After TPO's establishment and the selection of change agents, technology expansion work was completed and business processes that would fit NGN – NGOSS were designed:

> *"Business process development was done in a project by establishing the transformation program office (TPO) in which both local experts and Wipro[3] consultants were actively involved. Initially, more than 485 business processes were designed" (Officer P1).*

All business processes were designed by adopting an eTOM framework. The main difference between BPR and eTOM is that eTOM is a framework that uses telecom operations that are of international standards through a structuring and integration platform. This platform needs to be updated depending on technological advancements and the dynamism of the situation. It is a framework that is confined to the telecom business. ET's vision was becoming a world class telecom operator. It adopted the international telecom framework (eTOM) for achieving this vision in a short period. TPO's staff members deliberated in detail on two main issues: whether the transformation could be managed by local staff members or whether external change agents needed to be recruited for actuating the telecom company's transformation. The final decision was a big 'No' for an internal solution. This meant that external transformation agents with prior experience would act as pace setters. The selection and recruitment modalities of the needed external change agents are discussed in more detail in the next section.

Resources were put in place for TPO staff since they were hired as change agents to bring about radical transformations. However, there were two divisions: ETC staff versus TPO staff, which created confusion among old staff members because the objectives of forming TPO and its

[3] Wipro is an information technology company which consulted ETC in the business process development process.

selection strategies did not go down well with regular ETC employees. An interviewee from the top level said:

> *"Employees working in ETC started seeing the employees selected for TPO as a threat because of rumors that these employees would be working against the normal ETC culture since their mission was secret and unclear to most" (Officer Q1)*.

Assigning employees to TPO basically relied on their attitude and commitment which led to antagonism among those working in the TPO and those working in normal ETC departments. The salary and benefit packages of those working in TPO were totally different from the normal work groups. The perceptions of some centered on ethnic based assignments being given to the TPO workers and it was given the name *'Tigrian Population Organization'* since they saw that most of those working for TPO came from this ethnic group. There were complaints during TPO's formation because of suspicions of ethnic grouping. Though the exact proportion of employees hired based on their ethnicity could not be expressed explicitly, the networking and attraction of working for TPO was dominated by the same ethnic group leading some to question the workforce's diversity. Many employees spread rumors that the *cadres* joined TPO. TPO was perceived as a house of *cadres*.[4] This doubt originated in the inclusion of individuals who were seen to be without merit. Besides, several interviewees pointed out that a number of TPO staff members had deep-rooted political affiliations. As far as interviewees' understanding was concerned, some vibrant and competent workers were not selected. The screening committee's members mandated with the responsibility of selecting members of this special taskforce were also criticized.

Communications between TPO staff members and ETC employees were closed. There was no free flow of information among them. Due to this, ETC's employees were afraid of TPO's members. This feeling was also fueled by questionable criteria used for selecting people for TPO. However, those working at TPO were unable to deliver visible results and the success of the office came under great doubt. The established sales shops were ineffective and were criticized by the public at large. Thus, the TPO team did not achieve great success even though it took a leap forward.

[4] *Cadres* are individuals who are members of the ruling party and who have a political role to play.

Many employees did not have much information about what was going on in TPO. Many, particularly those at the lower levels, found many things to be odd at TPO. The intention behind forming TPO was radically changing the company, but its mission had failed and this became the reason why the management contracted French Telecom (FT). A manager explained:

> *"TPO's output was the initial set of business processes leaving out the activity of mapping designed processes based on the structure and the functions to be executed by each division" (Manager S1).*

Developing processes before identifying the structure was seen by many as reducing personal interests. It was hoped that TPO would make the new organizational chart system-oriented rather than person centric. What the telecom company could perform internationally was the baseline for designing business processes and this helped in developing the new structure of Ethio Telecom.

To conclude, the confidence and hope that had been placed in local expertise by the ministerial office when it created TPO did not achieve results. Instead, TPO became a sort of 'mystery coalition'. The selection of loyal and politically affiliated employees for TPO was questioned and it became the center reason for the emergence of informal groupings and rumors that ended in distrust between the top management and lower level employees. In addition, TPO's failure became a turning point in looking for foreign telecom operators which could act as consultants in bringing about real transformation. This shows how contextual embeddedness in a developing country complicates a strategic change process which might be linked to perceptions of procedural justice among employees.

The next section elaborates on the international bidding and selection process for hiring management contractors to transform the giant though old Ethiopian Telecommunications Corporation to Ethio Telecom.

4.4 Bidding for international telecom operators and FT's selection (2009)

After the Ethiopian government took the decision to transform ETC, the next question was how this was going to be implemented. TPO's failure had led to the insight that local experts could not shoulder the transformation process alone. As the transformation process needed huge investments, and since the country was poor, it could not afford to waste money on a trial-and-error process. Thus, the government decided to go for telecom operators who had practical experience. As a result, it endorsed outsourcing the transformation responsibility to foreign experts. The selection of foreign telecom operators was done through a competitive international bidding process.

After decisions had been taken on the standard framework to be adopted, the task of searching for international companies and/or experts with prudent experience in telecom operations for implementing the transformation agenda became top priority. Hence, recruiting experts through management contracting who could act as coaches, mentors, and consultants until a takeover by the local management group became the governing idea. The board of directors approved this agenda and started looking at recruiting foreign experts. The Ethiopian government with its ambition of rejuvenating the century old telecom monopoly (Ethiopian Telecommunications Corporation), launched an open bid on November 9, 2009 for international telecom operators. The winner was supposed to plan for and carry-out ETC's transformation. The strategic changes needed included the process, people, technology, and structural dimensions to radically upgrade service provision and infrastructural aspects of the telecom company.

What followed was the selection and recruitment of an international telecom operator which had practical experience in realizing transformational initiatives. Following the bid, the Ethiopian government outsourced the management to French Telecom (FT) – the Orange Company. FT had relevant international experience and it had consulted for more than 100 telecom operators worldwide. It was also the 10th ranked telecom operator in the world.

4.5 Management contracting

FT was awarded the contract for two-and-a-half years (2010-12) for transforming ETC since the Ethiopian government wanted to create an internationally competitive telecom operator through assimilating experience from internationally successful telecom operators. The grand agenda was standardizing telecom operations to prepare for anticipated competition from international telecom operators if they were allowed to do business in Ethiopia. Further, the NGN project which was launched in 2006 had created a huge capacity and an international telecom operator was needed for exploiting this network capacity so that it could share its international experience and catalyze the government's ambition of making ETC a world class telecom operator. Upgrading the local management's capacity was also an aim of hiring international experts. FT exclusively took on the responsibility of managing the transformation except the audit, security, and legal units, which were under the local management.

FT endorsed the already developed business processes that benchmarked the eTOM framework and worked on its customization for practically bringing it to the ground level. Recent technologies were put in place, business processes that went with the technologies were developed, these processes were validated by foreign experts, strategic plans were crafted, and business and sales plans were launched. All these were verified by the management contractor, FT. Along similar lines, they developed a business process model and an organizational structure based on best practices among world class telecom operators in line with the eTOM framework. Process mapping - decisions on which business process would come under which structural division of the company - was done later. After this, employees were placed in the mapped processes. While developing processes, it was not known who would execute what. Actors were identified and processes were aligned with work units (for example, marketing processes were assigned to the marketing department and network processes to the network division). The newly recruited 1,000 graduates were reassigned to available work units once the transformation project was over. TPO staff members acted as strategic change agents. They played the role of internalizing the strategic change initiative among ETC staff.

At that time, it was hard to find domestic experts who had the capability to manage such a transformational process and hence, total dependency on FT experts was accepted despite possible cultural differences. In terms of culture, FT was very different from ETC. FT experts were duty conscious and their total orientation was on the task rather than entertaining the social aspects of ETC’s employees. This appeared strange to Ethiopian employees in terms of interacting and building relationships with their immediate foreign bosses. Besides, the cultural rigidity of Ethiopian employees became the reason for unwanted disagreements and the damages faced in the process. However, FT is a giant telecom operator which has millions of staff members that is operating in more than 100 countries. So, gaining its experience was good for Ethiopia according to some interviewees.

Many people thought that FT had come to build telecom technology. The fact was otherwise. Local experts with help from outside consultants (Wipro) had already installed the technology, designed the business processes, and made the workforce ready. FT was needed to act as a pacemaker in the transformation process and to radically change the company, develop new structures, and streamline the processes. For implementation, the local management needed support and recruited people on a contractual basis for two years to realize the desired strategic change. The acquisition of managerial experience from foreign experts had been the central aim of ensuring the sustainability of the strategic change. In this respect, it is possible to see two sides: best practices and bad experiences since no perfect company exists. These two sides are now discussed.

In the world there are probably less than 20 telecom operators that have tested experience in bringing about real transformation. ETC was entering this ocean and badly needed the support of such pacemakers to go through with its transformation, since the top management team did not have practical experience. This experience deficit compelled ETC to enter into a management contract with FT. Members of the former top management team were trained and available in the company. However, knowing the technicalities and managing the transformation were different things, thus members of the previous top management were not considered for the transformation process. An interviewee from the top management team explained:

> *"If you hunt for the best minds in the industry here in Ethiopia, it is hard to find experts. The telecom industry is dynamic by its nature and it demands high levels of technical expertise. Plus, it needs billion-dollar investments and wasting this much on a trial and error approach was unthinkable without having trusted and tested experience in the area" (Officer S1).*

In addition, the transformation was made via vendor[5] financing where the government borrowed from external sources so that the vendors would have a say in decisions about expertise and thus, this huge monetary commitment could not be wasted on a trial and error approach followed by local experts. Besides, recruiting FT's experts was a rationalization mechanism for enacting strategic change since the employees were believed to accept consultants from developed nations. This also allowed the top management to highlight all the problems that might arise in the process thus avoiding pointing fingers at local decision makers. FT had prior change

[5] Vender financing is an arrangement whereby a contractor avails funds on a loan basis from its own conglomerate's subsidiaries.

management experience in other African countries like Kenya, Ivory Coast, and Ghana; it was more experienced in this regard when compared to other telecom operators.

4.5.1 Experience sharing and knowledge spill-overs via management contracting

In its transition from Ethiopian Telecommunications Corporation to Ethio Telecom, two CEOs were changed between 2010 and 2013. After creating a paperless office, FT put in place a succession plan to make the strategic change sustainable. The succession plan was enriched by implementing interchange roles between FT consultants and Ethiopian employees. Before handing over the responsibilities to the Ethiopians, FT's CXOs (Chief x-officers) became experts and Ethiopians became CXOs. Knowledge sharing was done via delegating roles to domestic experts (that is, role-playing mode). The design of the succession plan was based on a pool system (that is, position by position) and not on an individual basis. An interviewee from the lower managerial level said:

> *"During the transition, as a participant I learnt a lot in my area through coaching by FT experts. As an example, I recognized how things will be organized and presented in every section for management decisions. In my department, a profound change was implementing a competency assessment-based approach for intervention purposes. In this way, rectifying competency gaps via training was enhanced" (Officer H1).*

A tool was developed for the organization to ensure competency among employees and which also matched the competency of world class telecom operators. Thus, on-the-job training was realized, and the ability of the management team improved. An interviewee from the top management team affirmed:

> *"FT created great capacity for us. Let alone the pure management part and resource control, the telecom expansion project (TEP) related activities like determining the requirements of the 4G network was done together with the FT team" (Manager C1).*

In the purchase and procurement processes for telecom equipment from international suppliers, FT experts helped in developing specifications for the technology/equipment to be acquired starting from price cataloging for knowing the standard world price of a technological component at a given time. Previously, there were no such processes in ETC. Even locally, the SIM card selling process in Adama or Hawassa or any other regional town was completely different. Nowadays, business processes are well defined and relatively standardized to minimize inconsistencies in operations.

Regarding openness in sharing experiences the FT side had a tendency of showing business interest so as to create future dependency on it. Exploiting FT's experience demanded wise infiltration and caliber of local experts. Some FT experts were cagey about sharing even minor task-related forms and templates. Apart from this, Ethiopian experts tried to learn everything from FT consultants for future use. An interviewee stated:

> *"To my knowledge, there was no formal experience sharing and training platform to absorb their experience. You could learn something through working together and observing their decision-making process" (Manager C1).*

In addition, there was coaching and training of the '*to-be'* potential successors (N-2[6] level) at ET which was accompanied by a visit to FT's Orange campus. The transformation had created a do-or-die kind of feeling among employees. Let alone N-2 levels, those at the lower levels were also given directions to grasp the knowledge of FT's team members in an intelligent manner.

FT emphasized on the marketing aspects and was successful in that regard as they were given clear key performance indicators (KPIs) to be achieved. FT did what the local staff could not. For instance, it implemented radical tariff reductions in the prices of SIM cards, internet, and provision of bundled service packages. ET's employees learnt how to deliver bundled service packages to their customers instead of providing fragmented services. FT achieved the highest success in the marketing processes as witnessed by an increase in revenue and the number of subscribers.

Employees assigned to work with the FT team worked with passion to see the results of such an investment in management contracting because the top management was responsible for all the decisions taken during the strategic change process and it was also accountable for any loss in the invested money if the intended objectives were not met. The government's promise to the public was an obligation to be met by all strategic change agents and if they did not succeed the consequence would be negative. The domestic staff tried to get possible business know-how

[6] N-2 = the second level in the organizational hierarchy.

from FT experts as compensation for the millions of dollars that the Ethiopian government had invested in the transformation and to prevent the consultants from returning another time. From past practices, it was seen that foreign consultants might create a new business out of an agreed deal by withholding information or leaving things incomplete. Many employees had been very conscious of such a risk and tried their level best to exploit everything without hesitation. Focusing on knowledge transfer during the strategic change process especially by potential successors became the prevalent culture.

The FT team's candidness in sharing experiences during its stay also depended on how ready the recipients were to get the desired spill-over effects. This is called the '*consulting syndrome'*. Continuity in consultants' work is often a function of giving small and very attractive advice that creates a suspense. A chief officer stated:

> *"It was you as a recipient who had to dig more and request more. The consultant might not give you all the knowledge since he did not know what you wanted" (Officer CO3).*

Some consultants were very open in sharing everything, but there were also a few who tried to hide their knowledge during the transition. Since this interviewee had been managing the contract, he was of the view of firing those consultants who were not willing to share their experiences during the transition process. There were periodic performance evaluations and those consultants who did not deliver as per the agreement were fired. There was a steering committee composed of the Ethiopian team and FT experts to manage this. The top management team fired FT managers within six months' and also within a year because of such problems. Repeated action was taken in areas where the consultants were not open in sharing and areas where domestic experts performed better than the recruited consultants. An interviewee remembered one such situation:

> *"Let alone sharing knowledge, if you wanted to give the foreign consultant some knowledge, his mind was not ready to accept it. Thus, based on the suggestions by local experts, the steering committee evaluated this consultant's performance and he was fired immediately" (Officer CO3).*

He remembered an encounter where the steering committee said to the FT team manager that "*we do not want you to bring us a consultant from the bench but someone who has real practical experience."* Apparently, the steering committee had taken similar measures more than once.

By buying FT's expertise, Ethio Telecom jumped to a level that it would have reached after ten years on its own. Besides, it was the government's direction to have a world class and modern telecom company that would become the central gear for other sectors and industries in the country. However, some branch level interviewees get irritated when they remember the FT team's coming. They explained that the country had vibrant domestic experts who could be involved and who could even bridge the language gap with FT experts. These respondents rejected the '*we can't'* attitude. They cited an example that the Chinese configured technical things in their own language and with no room for knowledge spill-overs. They insisted that they believed in local expertise for sustainability. It was evident that the local staff could not easily communicate with the FT experts primarily because of language barriers. Besides, contracting to FT was costly. Critics argue that if the strategic change had been completely implemented by the local team, all the money could have been circulated within the nation. Truly speaking, the technological level that FT reached was far beyond the level that Ethiopia as a nation had reached. Ethiopia was merely trying to walk in terms of telecom infrastructure till quite recently. So, there was room to take in a lot of things from FT. The questions revolved around how beneficial and significant the knowledge transfer from FT to the organization and the country was.

An interviewee from the top management claimed that the consultants appeared to be short-sighted. They might not have felt ownership for and belongingness to the company. This interviewee added:

> *"I felt this pain as a citizen. Managers of the management contracting team had additional responsibilities and thus they might not have gone into detail of control which constrained the effectiveness of management contracting apart from capacity limitations. In addition, long-term objectives can't be measured by short-term ones and the emphasis of the consultants was on the short term" (Officer S1)*.

The interviewee added:

> *"If I am the decision maker, normally what we must do is not allow anybody to take the whole responsibility but only give consultancy support as an expert" (Officer S1)*.

The experience sharing and learning effect was greatly impeded by communication problems on the local staff's side too since the communication barrier was not thought of carefully. In addition, the grand role of the FT team was moving the transition procedure on to the right track. This interviewee said:

> *"Theoretically, it was evident that some Ethiopians had comparable and even more aptitude than FT experts. So, we did not have to underplay this fact. But practically, it was difficult for Ethiopians alone to implement the transformation since we Ethiopians are risk averse most of the time. Our culture has shaped us to be rigid and we do not allow any assumptions to creep in. We always fear feedback from others if things go wrong, but FT's experts had proven practical experience to make a business a reality" (Officer S1).*

The FT team had been taking decisions in a timely manner instead of delaying things and worrying too much. There had been experience absorption from the FT team to the extent of a visit to France, the Orange Company, for the middle management groups to see things for themselves. However, branch level interviewees did not agree and maintained that FT concentrated on its own business context and focused on how to easily introduce changes rather than working towards ET's strategic interests. They claimed that FT did not have belongingness in the company and nor did it show any concern for the employees. For ease of management, it just minimized the giant corporation (ETC) into a smaller company (ET) to meet its own business targets. Some employees felt that resources were wasted during the transition as the rebirth of the working culture came after FT left.

Firing some FT consultants for reasons not always perceived as pressing had also created fear and uncertainty. When an order or letter came from the head office, employees were shocked since they were unsure of the FT team's actions. Employees who were retained considered themselves fortunate even though they were uncertain about FT's future actions during the transition. An atmosphere of suspicion and uncertainty prevailed during the transition which was a negative spill-over effect of the FT team.

4.6 Placement and redeployment – *The birth of Hidassie Telecom* (2010 – 11)

During the transformation process, one of the challenges was taking decisions about the placement, retirement, and redeployment of employees; this took a year to implement. The placement was done step by step. First, the top management was assigned by the FT team, then the local top management together with the FT team developed the *'criteria of selection'*, including interviews for assigning posts up to the supervisory level. Then, staff placements were done and integration was carried out division by division and level by level. There was a feedback loop based on a periodic evaluation of the milestones (that is, the targets to be achieved). However, the criteria were not clearly communicated and thus not known to the middle and lower managerial levels. Most interviewees considered this a top-down assignment rather than a criteria-based selection process. Irrespective of interviewees' hierarchical levels, the placement process was perceived as accidental and is still criticized as a *'black-box'* of the telecom transformation process.

Similarly, branch level interviewees stressed that for staff members below the supervisory levels, there were no open notices to compete for vacant posts and instead these were predetermined assignments with a simple notification of who was assigned and who was not. Interviewees claimed that they did not have the chance to know the criteria of selection and rejection. Frustration was voiced that some well experienced staff members were dropped, and instead less-experienced juniors were assigned jobs. Another critical problem observed was that ETC's HR unit appeared to have a data and record handling problem. Some interviewees believed that the top management was supposedly taking assignment decisions based on this inadequate data. This suspected data discrepancy problem subjected decision makers to increasing criticism. Individuals were assigned to top positions based on this supposedly erroneous data while others were allegedly fired because of the same reason. There was no HR auditing except minor data clearing work while automating the processes. An interviewee added:

> *"After the transformation we observed, that employees who went to the top of the management level were those whom we thought were incapable before the transformation and they reached there as they adjusted themselves to the changing wind. On the contrary, there was huge voluntary turnover after the reassignments. On average, 60 to 70 employees resigned from Ethio Telecom every month on their own" (Manager C1)*.

Among the reasons for turnover connected to the transformation are inability to cope with the strategic change, better opportunities in the labor market, and cultural shocks during the transformation. After reassignment, a few employees were unsure of the result of the strategic change since the transition was not seen as being smooth. Many did not see the internal environment as being conducive for the transformation and it was also risky showing the Ethio Telecom's ID card as these employees were viewed negatively till FT left. But now:

> *"We perceive that the transformation was right, and we can speak and show our ET ID cards which we had been hiding during the transition. Currently, we are proud to be identified as ET's employees. This is the case ever since we passed the painful times" (Manager C1)*.

In principle, the reasons for redeployment and the whole transformation effort depended on what had to be done and how many employees were optimally required for the new, designed processes. When the newly developed business processes were compared to the new structure and the existing manpower, an imbalance was found. Automation substituted some employees. Ethio Telecom's services were heading towards wireless technology unlike in earlier times when they were dependent on wired technology whereby going house to house for connecting cables needed more manpower at the lower level. Emphasis on wireless and mobile technology created a surplus employee pool in some functional units. Thus, the reduction in workforce was not for the sake of reducing manpower but was based on such arguments. Besides, the manpower had been huge during the ETC era which was not justified by its capacity. Therefore, those employees who were not supported by the developed processes were redeployed to Hidassie Telecom. One interviewee stated:

> *"It was not an absolute reduction, since the government took the initiative of organizing ex-employees and established a new company for accommodating the retrenched ones. Many of the retrenched employees were from clerical positions, secretaries, and those near retirement age. So, it was not negative action for me" (Officer P1).*

The reason behind the massive reduction of ETC employees was based on FT's determined optimal capacity of accommodation given the posts created. This was backed by educational levels and experience. When the structure was changed, everything within the organization was touched. Based on its international experience, the FT team used ratios for every performance dimension. Firstly, they found out how many employees were required to serve the existing customer base of 9 million at that time. It is natural that as the number of customers increased, the employee pool would also increase. So, they determined the number of employees in proportion to the existing customer base. In addition, at that time employees' educational levels were not very high. Positions like garage technicians were cut during the transformation. This ultimately entailed a reduction in the number of employees.

Culturally, FT and ETC were different. For instance, FT's culture was having bosses with a tendency to speedily act on performance inefficiencies. But in Ethiopia, social norms, rules, and regulations do not support serious action because of maintaining social responsibility and family security. Ethio Telecom retained roughly 7,000 – 8,000 employees out of the total 14,000 permanent employees before the transformation. Now Ethio Telecom is coming back to nearly 14,000 employees again. However, employees brought to Ethio Telecom after the transformation have better educational qualifications as compared to the ETC era.

In relation to downsizing, the government had came up with a way forward for accommodating the retrenched employees by establishing a new company called Hidassie Telecom, which provides support services to Ethio Telecom. So, if employees were not reassigned to ET, they were redeployed to Hidassie Telecom to minimize their financial problems. An interviewee said:

> *"We could say there was no complete laying-off as the government pursued a facilitation strategy by establishing Hidassie Telecom. It is questionable even to take the downsizing as a lay-off since those employees not retained by the newly created company (Ethio Telecom) were redeployed in Hidassie Telecom without stopping their monthly salaries during the transfer" (Manager C1).*

Establishing Hidassie Telecom was a kind of pre-facilitation for the transformation. An employee who was not assigned to Ethio Telecom or not granted an advance pension could not be fired and was instead redeployed in Hidassie Telecom. Those who were not willing to join Hidassie Telecom left Ethio Telecom. Today, Hidassie Telecom is a giant that works in close collaboration with Ethio Telecom. It handles SIM card and voucher card distribution. Hidassie supports Ethio Telecom and is seen as a strategic partner. Hidassie Telecom has grown at a good pace. The establishment of Hidassie Telecom was a government step so as not to jeopardize the laid-off employees while modernizing the telecom industry. It was established immediately after Ethio Telecom was created since it was taken as a solution for retrenched employees. During the transition, the deputy minister held discussions with redundant employees for finding an option for them; this was on top of the agenda. As a result, roughly 2,500-3,000 employees were redeployed to Hidassie Telecom and were paid their original salaries. The top management appointed at Hidassie Telecom had been expecting further reassignments to ET and was not sure about the vision and strategy for Hidassie Telecom till the end of the first year of Ethio

Telecom's establishment. Hidassie Telecom is currently profitable and a major distributor of outsourced telecom services and a strategic business partner of ET.

In the start-up phase, Ethio Telecom supported the establishment of Hidassie Telecom till it stood on its own legs. It was meant for discharging the public responsibility given to Ethio Telecom. Hidassie Telecom is now an independent organization having its own legal personality whose shareholders are former ETC employees and Hidassie employees. An interviewee doubted the existence of a similar company anywhere in the world, where all the 2,500 – 3,000 employees were paid salaries and who were also shareholders. Hidassie is also expanding by recruiting new employees on its own.

Another action at that time was granting advanced pensions to some employees near retirement age before their actual date of retirement. That is, the *'50-25' retirement rule* was adopted irrespective of the labor law for civil servants by way of special approval directly by the then prime minister. This meant employees aged 50 years who had served the corporation for 25 years, got their pension to have economic security though they had not reached the age of retirement. Thanks to this, 1,000 employees retired early. In principle, no one was fired. There had been widespread rumors about retrenchments when ETC was transformed into Ethio Telecom. The reassignments to Ethio Telecom were low compared to ETC's manpower pool. Roughly 7,000–8,000 were retained from the 14,000 and as per the strategy followed by the management contractor (FT), it was evident that all of them could not continue working in Ethio Telecom given its pre-plan of cutting manpower by half. The objective of the transformation was largely understood across the organization.

After Ethio Telecom was established, the top management was taken over by the *Orange Company*. The CEO, Vice CEO, and Chief Officers were all FT staff. The FT top management team (so-called jury) developed criteria in terms of qualifications, experience, leadership competency, and *'other criteria'* to screen-out the management team below it which might also become its successors after coaching. However, many interviewees did not agree with the objectivity of the criteria set. The screening was done in such a way that every department provided a potential list of recommendations for every advertised post to the top management. And then, the top management team on the Ethiopian side (that is, the local management) shortlisted managerial candidates. To make it acceptable and for avoiding complaints of perceived subjectivity, an invisible team was established by the ministerial office and the board that passed final approval decisions. This invisible steering team interviewed and sometimes administered written exams to reach the final selection for managerial posts based on their interest. The invisible team assigned selected employees to open positions. Of course, there were some open posts as well. The selected managers then shortlisted individuals to be assigned under them in the hierarchy. The assignment of managerial positions was based more on recommendations whereas for the supervisory level, a more transparent notice bearing set of criteria were advertised and posted for potential candidates. Here, applicants were interviewed by the FT team and the local steering team, and the final shortlisted candidates were assigned positions. An ex-employee explained:

> *"At the supervisory level and below, it had been my department's responsibility to handle the decisions. For assigning the remaining employees, we saw their experience and educational qualifications (for example, Accounting, Management, Economics, Civil Engineering, and Electrical Engineering) and sent the list to the respective departments for decisions. Depending on their own criteria, every department selected employees to work in that department and HR posted the final list" (Ex-employee E1).*

At this stage, there were increasing complaints about the process and criteria of selection from the employees' side so a complaint handling team was formed to handle these. Broadly speaking, the transformation team had been in the process of establishing two companies: *Ethio Telecom and Hidassie Telecom*. However, as there was no clear communication about the establishment of Hidassie Telecom, employees feared that they would be fired. If the decision about establishing Hidassie had been communicated earlier, the employees might have preferred joining Hidassie Telecom given the limitations of their personal capacities found through self-evaluations. The idea of establishing Hidassie Telecom came after there was intense resistance during the initial stage of the Telecom Company's transformation. Some employees argued about the posted criteria and saw their non-selection as groundless. ETC's labor union disagreed with the screening committee's decisions.

The ETC labor union was the strongest employees' union in Ethiopia. Some complaints were strong and were taken to the court by the union. The union also criticized ET's top management and went to the extent of recruiting experienced lawyers in the country to fight the management.

The union circulated information that it had recruited around eight experienced lawyers and would win against the top management team before the law. Further, the labor union strongly resisted the transformation by joining hands with employees who were not selected and started forwarding cases to the court and disseminating information to various media outlets which made the process of transformation difficult to manage as there were massive reactions. Because of such reactions, few wrong doers from the top management team were penalized for malpractices while taking selection decisions. An interviewee from the lower management said:

> *"I observed the redeployment of those who were being retrenched to Hidassie Telecom; we had all been competing for managerial posts advertised during that time. What I felt was that FT determined the maximum capacity to be retained in terms of workforce for the newly developed structure of Ethio Telecom" (Officer H1).*

For the transformation project, 1,000 new graduates were hired after interviewing 4,000 candidates for smoothening the transition and supporting the new work culture as was stated when TPO was formed. This created fear of replacement among the old staff. There were two divisions (old staff versus new blood) which created confusion among old staff since the objectives of the transformation did not include them (that is, redeployment as well as new recruitments). Almost all the members in the top management team were new blood, which was proclaimed as a success in promoting a new work culture. However, this management composition was not what was originally expected since there had been barriers in using objective competency-based selection processes. Screening by the top management was thus not only dependent on knowledge and skill attributes. According to some interviewees some competent and outstanding individuals who had ample experience were not given the chance to occupy the top posts because of their low political involvement. Some politically affiliated but rather incompetent employees were given top management positions. The strategic change was meant to create a world class competitive telecom operator which was oriented to accessibility. The motive behind Ethio Telecom was not solely maximizing profits like private operators as it also had the responsibility of reaching the public at any cost to increase telecommunication penetration in the country.

According to some interviewees, placements during the transformation were not seen to be transparent and fair since those with political affiliations were assigned to posts which were beyond their competencies. Some interviewees added that some positions were staffed based on personal affiliations and intimacy with higher officials and immediate bosses. That is, first the background of the person was studied, his/her political affiliation was seen, and then his/her identity (ethnicity) was considered. After this he/she could be called for an interview. Then, an assignment decision was made. Another interviewee from the headquarters stated unhappily:

> *"I feel that there were some individuals who were victimized by the change which they should not have been. They had experience and educational levels. How they were not considered is a puzzle to me. How it happened is not clear to me" (Officer F1).*

The reassignments led to various rumors among employees. Legally, the assignments did not require following any criteria for selection. An interviewee from the legal unit said that there were no publicized requirements for assigning somebody to a post. For instance, ministers could be assigned without making the criteria for their selection public. Thus, there was no chance of complaints when a person was assigned to a post or sacked. In the placement process, chief officers, officers, and managers were assigned rather than being selected based on transparent criteria. Even the selected person did not know what post he would be assigned and accepted whatever post was assigned to him/her. Only supervisory level staff was recruited using some defined criteria. Additionally, an interviewee at a branch (Central Addis Ababa zone) explained:

> *"The ruling party inserted its hands deep in the organization. It was not enough being a government organization. What I think is that the government and the ruling political party are different. The ruling political party had established a number of its cells within the company. I do not know whether these cells are still present or not. But during the transition, members' financial contributions were very high since they considered the membership fee as a guarantee that they would stay in the organization" (Manager H6).*

Interviewees had different opinions of how far the transformation was politicized by the government. They claimed that employees became members of some political parties and started paying them to ensure job security, but when the organization became stable again, many stopped paying the party membership fees. Political interventions also brought new offices such as anti-corruption office and women's affairs to Ethio Telecom. Though these offices were criticized by the employees as an imposition by the government, their aim was strengthening women's empowerment and proactively dealing with malpractices that were believed to be common in a developmental state as development enterprises might have a tendency for 'rent-seeking'.

Interviewees claimed that 90 percent of the employees in the technical departments were re-employed after there were a lot of conflicts. In terms of the language barriers during employees' placements, FT did not understand whether a work unit had the same ethnic group or not. But the local management could spot this easily based on employee names since different ethnic groups and religions use different names. One interviewee said:

> *"I went to the finance office for settling my per-diem and found that they were all speaking the same language, 'Tigrigna' and I could not find a single person who could talk to me in Amharic. When I finally spoke to someone in Amharic, he translated what I had said to Tigrigna. Similarly, I observed that one unit had Muslims only" (Supervisor S4).*

The issue of ethnic grouping was raised in the GTP I[7] meeting, and later in the GTP II period such stereotyping was completely condemned. A few top managers had been getting their intimate fellows and close friends under them to avoid potential challenges and confrontations by their subordinates; they also wanted to cover up their faults after open allegations in meetings. This ethnic grouping shrank with time since employees fearlessly exposed malpractices in public meetings with higher government officials. After these instances, some upper bodies reshuffled the employees that they had brought under them during placements because of the escalating criticism. Some had been complaining about junior batches dominating senior batches in informal talks. Higher positions being dominated by juniors resulted in some unhappiness among senior staff members. Another interviewee said:

> *"I remember an occasion where individuals from outside who did not know ETC's structure or even the name of the equipment we used was appointed as the head of the technical department. It was difficult communicating with him. He just gave military-style orders rather than showing the way forward since he did not know the work unit he was leading" (Supervisor S6).*

The top management might have thought that such appointments could play a positive role in catalyzing change. However, the managers brought from outside appeared inexperienced and

[7] GTP = Growth and Transformation Plan was drafted at the national level for transforming Ethiopia into a middle-income country. ET being a state-owned company derives its strategy from GTP.

lacked understanding of some informal aspects, such as the typical way of greeting each other. As Ethio Telecom is not only a service provider but also a technical company, some new employees lacking technical skills was seen as a problem. The following sections discuss the challenges faced while reassigning employees to the newly created telecom company, Ethio Telecom.

An interviewee from the top management said:

> *"I observed that many important employees left the organization during the transformation. There were some who were retained haphazardly which I was not happy about" (Officer S1).*

4.7 Transition phase - *Frog-jumping and battling*

This section explains the overall conditions during the transition phase including the following aspects: the strategic change communication platform (nocturnal communication); strategic change process management; strategic change leadership approach; attitude and perceptions about the strategic change; organizational distrust; and emotional detachment. For ease of analysis, the following discussion is structured thematically.

4.7.1 Strategic change communication platforms - *Nocturnal communication*

This section explains the communication aspects of the process of transformation considering, partially divergent views from the top to the shop levels. An officer highlighted that there was communication about the strategic change even as there was a lot of confusion during the process of transformation. He stated, "*he who slept knowingly could not be awakened."* Such individuals might have misinformed those who were in the middle of the road (that is, employees who were indifferent to the transformation). He claimed that most of the employees had accepted the transformation without losing their belongingness. There was communication at all levels starting from the ministerial office. There was orientation and regular communication with employees by the labor union and strategic change agents. However, whether the right information was disseminated depended on who listened (as the effectiveness of the communication depends on who hears it or the way he/she interprets it). Employees at the shop level and in the branches strongly criticized the view of the top management team that there was enough communication. Instead, they insisted that during the transition phase, there was secrecy and hardly any information was disseminated to the employees.

An interviewee in the central Addis Ababa zone said:

"Everything was hidden and to our surprise, notices were posted during the night and we did not know who had posted them and when. After the strategic change, there was informal talk about who made the placements. All this was done informally as no one took responsibility in public about employees' placement decisions. As per my knowledge, there was no official responsibility and accountability for different matters during the transition. Of course, we heard of individuals who were accused and who defended their cases in courts. But there was no public evidence or legal documentation of the decisions taken making individuals accountable for what they had done" (Manager T1).

Besides other things what bothered the employees was that placement notices were posted at night (which I thus label 'nocturnal communication'). The reason for not posting them during the day and publicly was unknown. Formal notifications of reassigned employees were not done via official letters or direct face-to-face meetings, but through postings on notice boards. Surprisingly, employees did not know who was assigned to what post and the assigned individuals hid themselves. No official information regarding placement decisions was announced to the employees and the criteria of selection were not posted publicly. There were secret calls to the chosen candidates. Painstakingly, employees ran to all six zonal offices: East Addis Ababa zone, West Addis Ababa zone, South Addis Ababa zone, North Addis Ababa zone, Central Addis Ababa zone, and South-west Addis Ababa zone to see whether their names were posted on other zonal offices' notice boards because the communication channel was a secretive nocturnal one; employees saw it as being messy. Employees walked from place to place searching for their names on notice boards rather than focusing on their work.

According to the interviewees in the branches, the transformation was a hidden exercise and there was no proper channel of communication. This closed-communication created confusion among the employees. Lack of clarity about the change forced employees to interpret things in different ways. A failure of this approach was that the lower level employees were not told about the benefits and difficulties of the transformation initiative. Coupled with the uncertainties and fears of change, lack of action and talk by the strategic change leaders led to frustrations and resistance. Employees presumed that the transformation was an intentional act meant to reduce the number of workers because of the vague communication. The lag in establishing Hidassie Telecom for redeployment also created suspicions about the management. Many employees lost trust in the organization due to the secretive communication. Thus, one of the major reasons for the resistance was the absence of clear and transparent communication informing and persuading employees. An interviewee from the central Addis Ababa zone indicated:

> *"We did not even know who led the change or the objective of the change. The dominant information source for most employees was informal means like rumors, the grapevine, and eve's dropping. It would be better to say that there was no change communication at all; instead, chaos prevailed throughout the process" (Supervisor S4).*

There were lots of rumors at that time which made many employees very frustrated. Employees felt uncertain and started searching for jobs in other organizations. An interviewee added:

> *"I remember highly competent and energetic staff members working in the band functional unit where every worker had put an eye and eager to see their future had left the company unhappily" (Supervisor S6).*

However, a former employee claimed that there were enough meetings (including four major ones), including at the board and ministerial levels, to make employees aware of the transformation before the TPO announced the outsourcing of the management contract to FT. These awareness creating meetings focused on assuring employees that their positions would not be threatened, and no one would be laid-off because of the change. He said:

> *"If I had been the transformation project manager, I would have made the process open and transparent to the public after explaining the need for the change" (Ex-employee E1).*

An interviewee from the top management team said that the strategic change was communicated at the top, middle, and lower levels to orient managers and employees about the need for the change. But those who had been in their positions for longer periods were accultured into the system and did not see problems or did not sense them as being real problems. Yet, some effort was made in convincing employees about the need for change. Whatever the perceptions of the employees, the inevitability of the change was made real which created some room for its implementation. Another interviewee from the top management team indicated that communication was done via regular platforms like pamphlets and by way of the labor union. Employees were supposed to know the change starting from its inception regardless of their prevailing fears and uncertainties. This interviewee further said:

> *"In my view, the strategic change was not accidental. You could see attempts to change even earlier. For instance, one change process was tried by American consultants though it failed, then Wipro came and developed the business process, and finally FT came and it got the management contract" (Officer P1).*

Linked to the communication problem, were some environmental challenges in some regions where most of the deployed resources were not put into use even as employee numbers were reduced. Lack of transparency regarding the change process was accompanied by rumors that ETC had been sold to a French company, leading to employees' complaints. During the transformation, a Facebook account '*old ETC'* was opened by a team working against the transformation agenda. Though the person who led it was not visible, it released information against the transformation which was applauded by the resistors. Most of the information posted on this account was anti-transformation for obstructing the change effort. This anonymous Facebook team created panic that the placements were over, and employees should search for jobs, salaries had been given to the retained people, most were fired, and so on, though the employee reassignment was done in phases. This informal group fabricated rumors and disturbed the people enough to escalate resistance. An interviewee stated:

> *"Immediately after the establishment of the internal communication office, we launched a newsletter called 'flash info' and started communicating weekly. Thereafter, we started announcing the changes made but the informal group created confusion. Then, the 'old ETC' group on Facebook was dissolved after a brief period and since we had been releasing flash information using my account, everybody tried to follow what I released regularly" (Manager C1).*

In this manner, the internal communication office became a reliable source of information and played its part in the smoother sailing of the transformation process. It neutralized the sporadic rumors to some extent. The internal communication office was a powerful tool in the transformation effort, as the interviewee acknowledged.

The transformation was done in such a way that the steering committee at the ministerial level gave information up to the supervisory level. In addition, the labor union used its own platform to reach other employees as much as possible. However, the capacity and effectiveness of these channels to inform, convince, and build trust among the employees was not adequate. Though communication was done by the top management, this was largely a failure at the middle and labor union levels. Proper and timely information was not transmitted down to the shop level. For instance, managers at the lower levels were uncooperative and did not send updates of employee profiles and thus were the likely reason for some wrong assignments. Absence of bridging at the middle level created confusion among employees. Thus, there was a perceived power vacuum during the transition. Proper channeling and regularity of communication were missing and instead fire-fighting methods were adopted to cool down the emerging resistance. Overall, the reasons for frustrations during the transition were unsolicited rumors circulating among employees, due to the absence of a well-established channel of communication. Members of the former top management team and the labor union were believed to have acted as roadblocks in information flows during the transition.

At the branch level, an interviewee from the central Addis Ababa zone emphasized that there was no clear platform or regular communication about the strategic change. Employees in the branches only got to know when things happened without prior formal information. They heard rumors informally that a project office had been formed around an area called *'22'* (a locality where the hidden change project office had supposedly been set up). But, there was no clear idea about what went on there, what it did, and when and how it worked. Everything was secret and out of reach of employees. Apart from the informal rumors, another major reason for the perceived messy transformation was poor transparency and no awareness creation by the top management.

4.7.2 The strategic transformation process' management

The transformation work was done in a project setting. A chief officer stated:

> *"Any transformation project should manage time, cost, and scope dimensions properly so that it results in good quality. When time stretches, it has a direct impact on cost and scope dimensions. When costs increase, there is a direct impact on time and scope. Thus, managing these triple constraints is very crucial. The milestones depend on your cost and time" (Officer CO3)*.

The interviewee added that all work was done within the milestones defined upfront. There was no observance of any slippage. The Ethiopian government had decided that the management would be contracted to FT for two years and the change was accomplished within the deadline. But approval by the local management side was delayed and the top management decided to extend the management contract for another six months because in the original contract, there was an agreement to extend the contract time by 25 percent if necessary. Besides, it was a delay in the handover since the board had not decided something that it should have decided six months earlier. The delay in decisions by the board forced Ethio Telecom's management team to extend the project for six additional months.

During the process of change, there was an assessment which indicated that interventions were needed step-by-step as the change was led by high-level personalities. There was communication on matters during the strategic change though this was confined to a few individuals. The top management team was seen to be highly committed to the change process. Surprisingly, the prime minister and the deputy minister directly followed the strategic change. There were weekly reports about the progress of the transformation to the top management. Nonetheless, the transformation process was perceived as messy and lacking proper management according to some interviewees. While it was evident that the strategic change was aimed at improving the company, during the actual change fears of job insecurity became evident. An interviewee said:

> *"I had no objection to transforming the company. Change is necessary. Only inanimate things do not change. Even now, I am happy if Ethio Telecom changes its system to be more transparent and vibrant. It is also my wish to see my country changing for the better. What I strongly disagree with is the way ETC was changed, that is, the process of change" (Supervisor S6)*.

The confusion in the transformation process was attributed to the contradictory stands taken by FT, which came with a purely business approach, and the Ethiopian government with its political interests and developmental state mentality. These were conflicting stands.

4.7.3 Strategic change leadership approach - *The invisible leader(s)*

In terms of the leadership, the transformation was primarily led by the deputy minister in the then information and communication technology ministerial office, who was also the chairman of the board. It was not an exclusive leadership transfer to FT. As the transformation was a top government agenda, the prime minister's office had strict oversight of the process through establishing a steering committee composed of higher government officials. However, the steering committee's members were not made public and did not answer to employees' requests or questions, which led to a perception of invisible leadership. Besides, it was believed that there was a hidden project office formed around an area called *'22'* (a locality where the steering committee was supposedly hidden). However, according to the interviewees irrespective of this speculation, the transformation followed pre-planned phases (initiation, design, trial, and implementation) by the top management. FT's mandate was mainly confined to professional management duties and focused on process customization, reorganization, selection, automation, and operations. There were milestones set for FT in terms of customer base and revenue which were agreed to by the ministerial office. But leadership inefficiencies were observed especially in the HR office. An interviewee indicated:

> *"I thought HR was responsible for the rigidity experienced during placements. The HR office followed a closed-door policy. Security did not allow employees to have free access to the HR department and this issue was noticed at the board level which reacted by a reprimand" (Ex-employee E1).*

The transparency problems caused by the HR office also led to criticism against the government. An interviewee said that the deputy minister was a very hardworking person who had paid a price for the transformation initiative. The respondent added that the deputy minister tried to have honest and transparent systems in the transformation efforts. In particular, he did not want to take decisions without the consensus of the management team. The deputy minister was believed to work 'day and night'. As a witness, an interviewee says:

> *"There were around 10 departments that continuously sent recommended employee lists for final approval. They always sent their drafts at 5pm and he summarized and presented them at 8am. I think he did not sleep for six months and was the most committed person during that entire time. He was a unique person for me and he deserves recognition for his contribution to the transformation of the industry" (Ex-employee E1).*

An interviewee from the lower managerial level said that the entire process was under the oversight of the ex-prime minister since it was a top priority in the national agenda. Every week, progress reports were sent and discussions held among the top management to look into what had been achieved vis-à-vis the targets set. Thus, there was strict follow-up of the transformation process by the upper body, though this was not visible to the middle and lower levels. Everything was decided at the upper level and appeared to be non-participatory. To measure the progress of the transformation, there was progressive control by a steering committee composed of FT, the board members, and ET's management. When the contract period was over, a performance audit by outside consultants was also done. Thus, there was a weighted evaluation from the perspective of customers, profits, and learning from experience as well as business processes. The contractual payment agreement was based on performance targets. The payment scheme for

FT was phase-by-phase based on the percentage of the performance targets achieved, rather than paying a one-time lump-sum.

The board believed that maintaining the previous top management team would not allow the strategic change to happen. Insisting on new minds and bringing in new things was believed to facilitate the change process. Interviewees from the top management level felt that if the government had allowed the previous top management to work with FT, unlearning their previous culture and way of thinking would have made the transformation more difficult. It was also believed that individuals having a positive attitude towards the change should continue with ET's new management. That is, the steering committee felt that rigidity would have endangered the entire process of implementation and prolonged the transition period.

The change leaders were expected to give clear guidance on the procedures for cascading and managing the transformation. Considering the matter from the government's point of view, the legal point of view, and the overall national agenda was seen to be necessary. While FT was in-charge of developing and implementing the change process, it was at the end of the transformation phase that their coaching of the local staff, familiarizing them with new technologies and systems, and training the employees became necessary. As part of the change process, FT also dismantled ETC's 30-year-old training institute which was heavily criticized by ETC's employees and managers. Respondents argued that this telecom academy served an important purpose of aligning service provision with the required technical know-how, which was essential for a professional telecom company.

4.7.4 Attitude and perceptions about strategic change

Some interviewees saw the transformation process as frustrating, as the company was heading towards an unknown world. Many employees, including lower level employees, change agents, and those in the executive bodies, were afraid of the transformation. Some important units even stopped working because of the acute stress that the employees felt. An interviewee from the lower management explained that given Ethiopians' conservative culture, when there is change some individuals tend to look into what is in it for themselves, rather than focusing on its national and/or organizational benefits. In a business set up, an employee's existence is determined by what she/he delivers, but in Ethiopia stability is a culture and so the transformation was met with lots of skepticism. Because of such a culture and limited personal options, many employees were frustrated during the strategic change process. Many employees were bothered about the lack of clarity regarding re-employment and redeployment. One interviewee said:

> *"I felt good since the expected standard was based on competency rather than the number of years of service. Besides, I was lucky to be assigned early, without having to indulge in personal complexities as a result of redeployment. I took up the post as I was fortunate to secure a position" (Officer H1).*

Another source of negative perceptions was the divide between young and old staff members. Bringing freshness to the company, younger employees were eager for the transformation as they hoped that an innovative approach went in line with new recruits ignoring old traditions. These young recruits hoped for a new corporate culture and wanted to avoid immersion in an undesirable working culture which they claimed had existed before.

Perceptions about the strategic change were different not only among young and old staff, but also across managerial hierarchies. Employees in the branches and the headquarters also saw it differently. An interviewee who quickly advanced from being a young recruit to a top management position said:

> *"Personally, I thought that the strategic change was mandatory if we took the state of telecom operations into account. I was a fresh MBA graduate not far from academics during that time, while the workforce's composition was a mass of people with the lowest educational levels" (Officer S1).*

After the change, many employees tried to upgrade their knowledge so that they could be in tune with the developments in the telecom business. Overall, members of the newly educated generation viewed the strategic change positively. Another interviewee explained:

> *"What I understood was that we Ethiopians lacked practical expertise. We are good at thinking, analyzing, and going for change but putting it into practice is our shortcoming. This can be seen in the training we had now and then. We are risk averse and not willing to take full accountability. Besides, the policies, directives, laws, and rules in Ethiopia are not supportive, and are sometimes even restrictive. As a society, I think we have an almost communist view since we do not value or respect individuals very highly. Though we were never colonized, the way we think and act in an office set-up is like colonized people, which can also be seen from our tendency to believe in 'white expertise'" (Officer S1).*

This comment also points to the perceived differences between the FT and ET teams. Employees thought that the FT team had the capability to easily and speedily convert theoretical ideas into practical output. Another interviewee from the top management said:

> *"From a cultural point of view, we Ethiopians are not ready for change, we are captivated by rigidity and often blindly resistant, whether the change is beneficial or harmful" (Officer P1).*

Thus, some interviewees claimed that it was possibly the domestic culture that pushed employees to resist change. Even after the transformation, when new processes or procedures were introduced, employees became inquisitive and suspicious. However, an interviewee noticed that the attitude to change has changed over time after experiencing the transformation, and now they were even willing to accept new things. The explanation given for this is that individuals are seeing the benefits of recent changes practically. Another interviewee added:

> *"There are several good things that the change has brought. For example, the customer base has increased to nearly 50 million; there is more automation, and new systems deployment like ERP (which manages HR, supply, resources, etc.). The strategic change was a great leap forward in terms of systems though it marginalized the employees" (Supervisor S7)*.

Overall, the transformation created trust phobia where everybody searched for his/her own personal well-being and looked at the organization with suspicion. Lack of clarity and disclosure about the placement process complicated the attitudinal predisposition of ETC's ex-employees.

4.7.5 Organizational distrust and emotional detachment

Apparently, the ex-top management was not involved in the transformation initiative and its processes. This emanated from a lack of trust in the members of the ex-top management since it was assumed that they would want to work with the old culture. As discussed earlier, the transformation came up with a new strategy, a new structure, and an immediate re-sizing of the workforce which were all orchestrated by FT. Long-term staff members had a tendency to consider ETC as their permanent home with strong social bonds and a sense of ownership. They had a high sense of belongingness as well as emotional attachment. Despite their lower educational qualifications, they had been in ETC for a long time, starting from the era of packing and extending telephone lines using donkeys as transportation. The strong emotionally affiliated employee pool was disturbed by the change. The transformation was a shock and created immense frustration.

An interviewee from the central Addis Ababa zone underlined that employees' salaries more than tripled from those in the ETC era. However, loyalty, belongingness, emotional attachment, motivation, and social aspects suffered according to some. Some interviewees also claimed that usually when the salary increases, motivation also increases in developing countries. But in Ethio Telecom's case, salary increases and motivation were perceived to have an inverse relationship. Employees were seen as becoming selfish, fraudulent, and irresponsible after the strategic change due to an erosion of trust and belongingness in the company. An interviewee attested this by citing what an employee said in a meeting:

> *"The Chinese said they save 35 percent of their monthly salaries, but I was saving 65 percent of my salary since I had seen my friends without a penny when they were retrenched by Ethio Telecom"* (*Supervisor S3).*

Thus, the transformation reduced trust in ET and led to skepticism. The previous sense of belongingness was eroded.

Some interviewees believed that a clear career path available during the ETC era did not exist in ET and this made employees lose hope in their aspirations. In their view, this also affected their motivation negatively. During the ETC era, an employee could easily find out where he/she could reach starting from the date of his/her recruitment since the career path was clear and straightforward. An interviewee explained that a critical gap was the absence of proper alignment and acknowledgment of the worth of different work units.

4.8 Handing over to the local management team

The handover to the local management team was officially declared two and half years after FT came. The local top management team's members were coached by the FT team. The government had recruited foreign performance auditors and the handover to the local management was done after measuring FT's performance. Interviewees from the top management team at the headquarters who were involved as assessors during this handover explained that the prime objective of the management's contracting to FT was paving the way for knowledge transfer to the local management and that was appreciated by the Ethiopian government. The Ethiopian government set strict performance targets for FT to realize within the given time frame and these were found acceptable. Besides, the succession plan was judged as being good since Ethio Telecom's performance continued with the momentum started by FT.

The top management team was a young group and was energetic and receptive to modern technologies. However, some interviewees observed that they lacked leadership skills and though they were well-educated they were rather inexperienced. Thus, some gaps in decision making, a lack of focus on strategic issues, and being overwhelmed by routines were attributed to a lack of leadership skills. Lack of experience also meant that experience sharing was impossible between the old top managers of the ETC era and the youngsters. One interviewee explained:

"In my view, the handover was well managed. One indicator of this is the capacity building of successors by the FT team. Ethio Telecom was run properly by the young Ethiopian managers after FT left" (Officer H4).

In contrast, another interviewee from the north Addis Ababa zone indicted that the formal structural legitimization of power was not feasible during the handover:

"We were just advising legitimizing power based on age, religiosity, and social norms. I did not have an idea whether this approach was a lasting solution or not. This hindered inter-departmental workflows" (Manager F1).

However, some employees working in busy and stressful departments changed to other units where the work was simpler if they were paid the same amount and the new position had the same labeling (for example, from lineman to customer services and marketing). Some claimed that the strategic change process was full of irregularities and there was also backward movement in HRM which complicated the handover process. Branch level informants said that immediately after the transformation, employees were confused about what to do. This could be seen as no transformation happening. When things fell apart, the top management was advised to cascade the old and new systems side by side for some time. An interviewee from the north Addis Ababa zone had been one of those arguing against the management and begging them to implement the change step by step rather than imposing it instantaneously. He claimed that many branch level managers had been requesting for on-the-job training for filling the gap between the central network control division and the zonal network units since there was an overwhelming mismatch between the two. Frequent referrals of complex technical work to upper bodies at the headquarters where they knew nothing about them were frequent, while those at the branch were technically skilled. Groups were created between the headquarters and zonal employees which directly impacted service provision because of network interruption since this issue was not resolved properly. The first year of the transition in particular was seen as being difficult by some interviewees. Employees still longed for the old system. Disagreements persisted while putting the processes into practice during the transition phase.

In the second year of the transition, there was more focus on awareness creation and capacitating employees. Corrections and measures for adjustments were repeatedly taken up during the second year. In the third year, the employees had accepted the strategic change and had become used to it.

The FT consultants were required to present an exit report. All sections were required to document information. This facilitated the handover process to the local management. The new, local management used information from both formal and informal networks as learning during the handover. At the top management level, there were meetings twice in a year, and there was also a once a year meeting with the minister to discuss the growth and transformation plan (GTP) and how the transformation was aligned to it. So, a formal agenda could be taken for issues raised by employees and traced back for solutions or their recurrence. Communication was greatly enhanced during the handover phase.

Nowadays, there exist different platforms for employees and thus ideas can be entertained openly which might be an impetus for managers. Formal groupings are also in place for exchanging ideas. Communication is strengthened from all directions and actions are taken accordingly. The most important networking platform is the quality circle, where officers meet every week for generating innovative ideas or solving problems. The internal system is improving and getting organized. But the HR side is still seen as being unsettled and not mature.

However, overall the handover to the local management was a success as proved by the 83 percent level of performance by the FT side. This was publicized by the then deputy prime minister who had been a main actor during the transformation.

4.9 Acculturation of the new business model

It was believed that stabilization work and alignment with the socio-political situation would ultimately determine the success and sustainability of the new operations. This section highlights activities related to habituating the new ways of doing business in Ethio Telecom. A chief officer stated:

> *"We are being transformed and we are continuously evaluating and revising our business processes incrementally. For this, we have quality and process divisions" (Officer CO3)*.

The eTOM and NGOSS frameworks were updated regularly based on experience and new insights. Ethio Telecom has an account to access the framework and it evaluates the changes made and their impact, and based on this feedback, the management takes corrective action. This process aims at meeting international standards. The underlying idea is that if a company complies with the standards, there will not be any strategic complacency, which is a risk otherwise because the company has a monopoly in the nation. Nowadays, Ethio Telecom is aggressively pursuing network expansion, is present in shopping centers, and is working on reachability and quality enhancements. There are different telecom expansion projects running for improving the network capacity. Ethio Telecom is profitable as it has a monopoly. But a lot of expansion work throughout the country, especially in rural areas, is done at prohibitive costs and low returns because the citizens need to get telecom services as these are considered important for the country's development. For example, rural area networking called '*woreda net'*, *'school net'*, etc., were implemented at loss. But if private operators had been let in, telecommunication's reachability might not have been easily achieved since they would probably have invested in profitable areas only. Liberalizing the telecom sector might be good in terms of quality, but rural expansion will be largely ignored as private motive is driven by profit.

Linked to the new business model, there are five levels in the business process framework (that is, eTOM). The first three are uniform throughout the world but the last two are country specific since they depend on the social-political situation in a country. If there are changes in these two, a company should align these at its task and procedure levels contingent on socio-political contexts. In general, Ethio Telecom is continuously upgrading its business processes. Originally, the management team developed 485 business processes, but now Ethio Telecom has more than 566 business processes (after new processes have been added). An interviewee from the process office explained that the sub-classifications of eTOM include: operations, SIP (strategy, infrastructure and product – this domain is specific to telecom companies), and enterprise management (this domain is common to all companies whether telecom operators or not). Under these domains, there are different sets of processes. For instance, under fulfillment, there is the sales process and the order handling process. Under assurance, there is the problem handling process, research process, and service quality assurance process. On the SIP side, there are strategy development, sales development, and product development. Enterprise development comprises of the procurement process, finance, quality assurance, and risk management. All ET processes are developed taking this as a benchmark framework. Thus, when a given unit wants to change a process, it first has to report to the process department and justify its case since the new process to be developed should not be outside the eTOM framework. Though there might be customization work, all processes should follow the best practices of the eTOM framework.

An interviewee explained that ET's business model has become like that of a private business, with control and accountability as central concerns. Ethio Telecom is seeing results and these are directly reflected in enhanced customer satisfaction. On the technical side, if a customer calls for maintenance services, he/she does not have to wait for more than three to four days depending on the nature of the technical defect.

Business development has improved dramatically after the change and is focusing on business, services, and customers. For instance, though mobile services were started during the ETC era, their growth had been slow. But the during ET era, they grew dramatically, thanks mainly to radical rebranding and a pronounced strategy reorientation. Modern technologies and products are being introduced. Previously, the service focus was on urban areas, but now even access to rural areas is realized. Coordination across work divisions and moving to upper hierarchical levels is working well. There are regular quality circle meetings to discuss improvements and it is also possible to pass over immediate bosses and get access to the higher level management. Previously, immediate bosses often did not permit employees to move up the hierarchy. Thus, the traditional hierarchical thinking has been changed successfully. Internal communication has become much faster due to the use of emails. On the other hand, after the transformation, talking about ETC was not appreciated and those who did were categorized as promoters of the old thinking and culture. An interviewee from the lower level said:

> *"Discouraging employees to talk about ETC was wrong since there remains a lot to learn from ETC, and thus banning any talk about ETC was totally wrong. Instantly forgetting what we had is impossible. I would have expected a more gradual change in attitudes" (Employee E2).*

The top management wanted the HR strategy to focus on workforce diversity, for which as discussed earlier, there had been a massive intake of fresh graduates from universities. Part of the HR strategy was assigning new recruits to call centers to train them to internalize customers' problems and understand the country's situation before assigning them to higher posts in the telecom company. For this, all new employees had to pass through the call centers. This was aimed at finding employees who were responsive to supporting customers and were disciplined at the work place. If anyone looks at the situation now, every employee understands what the customers need, what Ethio Telecom is, and what it does. Everybody is encouraged to give priority to customers in every business process unit. During the ETC era, there was a strong labor union which argued for employees' rights and a clear career path structure, making employees the center of the business. Nowadays, the focus is customer-centric. After the transformation, marketing research was outsourced to Addis Ababa University and a market survey is done regularly to gather inputs from customers.

To sensitize employees about its customers, Ethio Telecom is pursuing a new method of on-the-job training whereby all fresh recruits pass through the '994 call center unit'. The launching of this customer service division was initially misunderstood by new recruits, since everyone was forced to engage in the tiresome routine of supporting customers. Many wrongly saw it as a dumping unit. But the top management felt that the entry gate to Ethio Telecom had to be the customer service unit. However, not enough awareness about this idea was created, and therefore some new employees thought they had been forgotten. Listening to the voices of the customers is essential for understanding them well.

Now, the voices of the employees are recorded and they are held accountable for misbehaving with customers. Because of this, employees have become disciplined and treat customers with courtesy.

Ethio Telecom is running well now, but it is still enjoying monopoly power. Thus, the company has not been tested in real market conditions and if the industry is opened to others, there is no guarantee on how it will perform. Ethio Telecom is enjoying being in a protected industry. Besides, the Ethiopian market is still a seller/provider market and customers are not yet very demanding. Only very few elite groups with international experience are continuously demanding additional services. Much of the business is run like a non-governmental organization. But there are certain reasons because of which the company cannot operate as a fully private company, since government approval and public concerns are mandatory, for example, regarding access to rural telecom services. Thus, the company has a dual responsibility and its public responsibility is regulated by law.

Before the transformation, there was only one communication department located in the external relations office which was commonly known to the public. This was changed under FT's management since it paid more attention to communication issues. FT changed the communication office into three different communication domains based on its own experience: a commercial communication unit, an internal communication unit under HR, and an external communication unit to handle matters with the government. The internal communication unit is under the chief HR officer and directly accountable to him/her. During the transition period, after the internal communication unit was created, the top management gave an assignment to the unit to listen to employees' concerns. In this regard, personnel from the internal communication unit counseled, advised, and stabilized the employees through publicizing their concerns. After the transition, this office played a key role in smoothening internal matters. Currently, ET is handling geographically dispersed sub-units and managing a staff of close to 13,000 permanent employees and 17,000 contract employees. The contract employees are concentrated in customer services (call centers) and security areas. Integrating all these employees and bringing them on the same page is the fundamental role of the internal communication office. This office is responsible for disseminating information, including the vision, mission, strategy, and annual plans of the company via automated platforms.

Ethio Telecom communicates policies, procedures, rules, processes, five-year strategic plans, annual plans, quarterly plans, and the successes achieved to internal customers (employees) through an intranet portal (internal website) and via email. ET has two platforms and the office is currently working on another project with the IS department (in particular, their office automation unit) to add another modern communication tool - video streaming -- to enable attendance in meetings regardless of geographical location. The CEO and others can also video stream their messages. The internal communication unit publishes issues such as recognizing best performers and also scouts for loopholes that employees are confused about in the newsletter; these are also communicated online. As a new trend, staff members eagerly read the internal news regularly. All these are indicators of a new culture of communication in the company.

Now, ET's system is highly integrated so that an employee can see the same voucher card being used in Samara (a place far from Addis) within seconds. Previously, the sales reporting managers at the headquarters just forecast, if not guessed, instead of coming out with performance reports till all the data was gathered from regional areas which took a very long time. Thus, controlling the operations was very difficult. Now, in no time managers can produce sales report for all the regions in the headquarters. One interviewee said:

"I see the change to be timely and necessary. One of the impacts I saw was that communication became very easy. One could share information across the country within minutes and arrive at decisions. No need of writing letters and waiting for months like during the ETC era" (Officer H4).

The data handling work for roughly 13,000 permanent employees is done using ERP since the change, which has increased the speed and quality of HR processes. During the ETC era, most operations were paper based. For example, employees were made to queue in front of the finance office to take their monthly salary and they wasted at least three hours of productive time. But now, ERP issues employees' pay-slips automatically via email. However, some employees had been resisting modern technologies from a legal point of view in the initial stages. When something failed, employees started printing and archiving messages forwarded via outlook as evidence. They filed the printouts, rather than simply getting approvals online. Quite recently, the Ethiopian government approved the legality of email communications and thus emails can be presented in a court. After this legalization, employees have become comfortable with the automation of internal communication and developed trust in the communication system.

After getting accustomed to the new working systems and witnessing tangible strategic changes, the employees started seeing their situation as being more stable and they started working as usual. But still, satisfaction levels among some employees continue to be rather low. Some stated that they stayed in Ethio Telecom only because there were no other viable options. Further, some interviewees, especially at the branch level, indicated that during the ETC era employees felt 'at home' in the company, and managers tended to coach their subordinates passionately. Some interviewees regretted that the focus was more on individualistic thinking now, with less open social interactions. While some interviewees subscribed to the collegial style of leadership described earlier, others – especially at the branch level and those at the shop level in the headquarters – saw this as being more critical. Such divergent perceptions associated with the new organization show the anomalies during the strategic change process which demand continued acculturation work by Ethio Telecom.

4.10 Within-case discussion and lessons learnt

This section has a within-case discussion of the transformation of ETC to Ethio Telecom and the lessons learnt to prepare for the comprehensive cross-case discussion presented in Chapter 6.

4.10.1 The strategic change – *ETC's Big-bang*

A major strategic change that occurred in the life of the organization was the one declared on November 28, 2010 when the organization was changed from Ethiopian Telecommunications Corporation (ETC) to Ethio Telecom (ET). The way Ethio Telecom did business and the business model itself changed dramatically. Restructuring was associated with a change in strategy and this was a pronounced strategic change. However, little effort was spent on awareness creation and making other preparations (that is, readiness for the strategic change), leading to perceived accidentality of the transformation. According to Kotter (2012:9), "major change is usually impossible unless most employees are willing to help." Besides, changes were made in three main strategic areas: technology, processes, and people. Earlier the processes were executed manually but after the change, systems were deployed and almost 50 percent of the business processes were automated, for example, through ERP, CRM, and NGN. These systems were deployed in the first phase of the transformation program. Afterwards, different systems were deployed including an electronic revenue (ER) assurance system. Such changes enhanced customer satisfaction, increased the subscriber base, increased revenues, expanded reach at the national level, and improved the general service delivery. In general, the main changes were strategy reorientation, restructuring, business process renovation, and policy and directives.

The management's overall approach was changed from decentralization to more centralization. Theoretically speaking, "without sufficient empowerment, critical information about quality sits unused in workers' minds and energy to implement changes lies dormant" (Kotter, 2012:175). Moving from decentralization to centralization led to a concentration of power at the top though this had the advantage of consistency in applying directives. From an organizational justice theory perspective, centralization leads to less distributive justice as power concentrates among a few top managers and fairness in distribution of organizational resources is threatened (Adams, 1965; Campbell & Finch, 2004; Homans, 1961). However, this can be overcome by the '*delegation matrix'* that Ethio Telecom has put in place. The *delegation matrix* is a means of allocating power to take decisions while maintaining consistency. Depending on the delegation matrix, it is possible to have a consistency check and decision-making powers at the regional district levels. By the same token, regional managers were granted the power to recruit employees at the district level so long as they were in line with the policy and directives from the headquarters. Even at the headquarters, various sections operate based on the delegation matrix to take decisions within their scope.

The changes in performance after the transformation might not be solely attributed to changes in the processes, structure, and strategy. Instead, increased customer satisfaction might be due to a changed thinking and greater awareness about technology among the users. However, better coordination and integration, sorting out customer needs and working towards that, standardizing workflows, and providing consistent quality services are the undeniable results of the transformation. Therefore, employees' positioning and mentality was radically changed in such a way that they considered Ethio Telecom as having a competitor and started serving customers diligently. An interviewee explained:

> *"We are more customer-centric though we do not have a local competitor. You can look at various discount offers for fixed lines and our market surveys. We focus both on external and internal customers, that is, employees. To be like international telecom operators, we learnt the attitudes, behavior, and general approach from FT" (Officer H1)*.

Being responsible and providing services diligently is an orientation that Ethio Telecom changed. Ethio Telecom's employees internalized how FT had developed the company at an international level, in how it served its customers, and promoted professionalism in the industry. However, there are some gaps, for example, in relation to missing career path development. This is an indication of a gap that was undetected during the process design while transforming ETC. Some interviewees from the middle managerial level criticized the transformation and said it was not a success because the complexities created by the change are still not settled. Disputes starting from the top management and going down to the staff level do not appear to be fully settled yet. Lesser emphasis given to procedural justice while carrying out the transformation resulted in disputes among employees at various levels (Folger & Cropanzano, 1998; Folger & Greenberg, 1985; Thibaut & Walker, 1975).

As a monopoly, ETC had strong financial stability but an incompetent manpower. Earlier, those with political engagements and affiliations, whether competent or not, were assigned to the highest positions which contributed to the company's inefficiencies. This implies that the influence of the political agenda (the outer context) and organizational politics within ETC (the inner context) affected professionalism negatively (cf. Pettigrew, 1987). Besides, bureaucracy, poor systems, and poor technology characterized the old ETC. This was linked to the fluid ownership structure in a developmental state context, where the bureaucracy gave birth to accommodating incompetent and inefficient staff (Chen, 2011; Pettigrew, 1987). But after the transformation, almost all the employees had at least a bachelor's degree when assigned to the newly created company, Ethio Telecom. Several interviewees believed that the government had put in a cautious effort in transforming ETC. There was unquestioned commitment from the government side to help the transformation initiative take off. Many employees believed in the need for strategic change regardless of personal agendas and they endorsed the inevitability of the strategic change.

ETC played a mixed role of engaging in operating in every function even if unrelated to core telecom services, like running its own clinics, wood work, construction, and garage functional units. All these additional units had created an unnecessary burden and fragmentation of ETC's efforts. FT decided to cut some units and outsource them to other companies in the country, though the lack of competent service providers was a major obstacle in the outsourcing task. Structurally, FT launched new titles like CXO (chief officer), officer, manager, supervisor, and others (staff). At this stage, all processes were put into action. Automation of processes, implementation of ERP, and launching new telecom products all happened and 45,000 service channels (via distributors) were developed.

According to Kotter (2012), if a change that is introduced is not backed with a new culture of thinking, the change will be impeded. Thus, to enshrine new values, ETC's logo was changed from *an iconic lion* to the *colored letter 'e'* (see Figure 4.1). This rebranding was done by FT to represent the country (*Ethio = Ethiopia, symbol of a nation, earth, enthusiasm, and energy*) and *telecom* indicating the focus of its core business.

Figure 4.1: Logo change

There were challenges when changing the logo. Questionnaires aimed at gathering ideas regarding its implications were sent to employees via email. Suggestions on alternative logos presented by FT were collected from employees through facilitation by the marketing communication office. Finally, votes were collected, and a decision was taken by majority vote. The colors of the logo and the shape of the letter convey a meaning related to the country and humanity. Changing the name and the logo appeared natural for deconstructing the old culture. The logo was designed via a competitive bidding process in which internal and external candidates took part. It was meant to promote Ethio Telecom in a better way. However, some groups raised their voice against changing the old logo. Such a negative reaction is associated with a lack of interactional justice which affected the free flow of information among employees, as advocated by Tyler and Bies (1990). As an example, one interviewee said:

> *"For me, the current logo has no great meaning as compared to the old logo. It is not graceful and is not attached to our cultural heritage. In my view, most employees were confused about the logo. Despite the huge cost for logo selection, it does not reflect the country or the company" (Supervisor S5).*

A major intervention during the transformation was automation and digitalization of processes and communication. But there was a loophole in the legal framework when it came to legalizing email communication. There was reluctance to accept decisions approved via electronic media. Later, this mode became the trend and resistance went down.

The company was re-established as a business entity regardless of its dual identity. There was a target and KPIs to be met by FT as milestones while transforming the company. They achieved 70 – 80 percent success in every aspect (as per exit reports). The top management team saw the transition as a success. But there were many challenges both from inside and outside. In principle, "people resist change due to many factors, some of which are a lack of information on the proposed change and a comfort in the stable environment to which they have become accustomed and in which they find predictability and security" (Yue, 2008:85). Thus, there were individuals who supported the strategic change, some were in the middle-of-the-road, and others were completely against it (resistant groups). There were also outside forces that did not buy the strategic change both within Ethiopia and abroad (the diaspora) for diverting people's attention towards their political agendas. The campaign against the transformation by outside forces was because they did not want the company to stay under the government. Besides, the reactions from the public were very difficult since the transformation was not transparent to the media and not open to the public due to fear of premature disturbances. That is why there was an invisible steering committee. This condition can be explained by the lack of "process control *('voice effect')* and decision control *('choice effect')" (*Campbell & Finch, 2004:179). Besides, informational justice aspects during the strategic change suffered a lot (Tyler & Bies, 1990). Connected to this, one interviewee said that the top management team faced major challenges mainly because of low involvement of employees. Indeed, there had been a lot of noise about this. Many citizens had relatives working in ETC. At a country level, there were negative reactions to the transformation. There were bold public confrontations with the deputy minister in meetings. Many older employees loved ETC and ferociously opposed the deputy minister on every occasion. An interviewee said:

> *"In a meeting held at Ambassador Hotel, some employees confronted the deputy minister and told him, 'you can't sell the organization for which we scarified our bone and flesh to take it to this level'" (Supervisor S3).*

There were litigations in courts too. Whatever the criticism by resistant groups, the strategic change was inevitable and timely in view of the top management group since ETC was lagging far behind the world telecom operators by all standards. One could imagine the change needed to move from PSTN to H+[8].

In addition to these challenges, there was also overt resistance by employees who had been retrenched during the transition. A manifestation of this was the cutting off of optical fiber lines. Cutting of costly fiber optical lines and poles was observed in peripheral areas. There were around 14,000 kilometers of optical fiber lines and it was a real challenge to prevent them from

[8] *H+* = it denotes an "evolved high speed packet access."

being vandalized since it was hard to control all the lines. The company decided that the optical fiber lines should be owned by regional states and other government structures to ensure proper functioning and to safeguard them against attacks. An interviewee from the middle management said that the main challenges during the transformation partly lent themselves to the very nature of the strategic change due to cultural rigidity on the employees' side. He added:

> *"In my opinion, our culture does not promote change and thus the employees' resistance could be partly due to this" (Officer H1).*

According to Kotter (2012:22), "inwardly focused cultures, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, a lack of leadership in middle management, and the general human fear of the unknown," can block a transformation. Due to such a situation, the transformation was harsh and unhealthy. This was partly a consequence of abruptly introducing the strategic change rather than following a step by step implementation approach. Here, procedural justice was underplayed (Thibaut & Walker, 1975). Linked to such procedural problems, employees' manifestations of resistance in the technical division include stopping timely dealings with defects, sitting idle and rationalizing it by saying that the equipment and machines were broken, being irresponsible, delaying work for days, misusing the company's resources, referring technical errors to other units/persons instead of fixing them quickly, quitting jobs, and showing marginal concern for organizational responsibilities. Other manifestations of resistance were stopping work, delaying services, appealing to courts, and cash embezzlement. These empirical instances can be explained by the absence of a 'voice effect' and a 'choice effect' (Poole, 2007). Thus, the main cause was a perceived loss of respect among the employees and lack of transparency. Undeniably, there had been escalating anxiety regarding whether employees would be reassigned or not, which created resistance. Panic also emerged when FT directly focused on restructuring while largely ignoring employee concerns (that is, focusing on the structural work at the expense of the human side).

Regarding issues of power shifting, there was implicit thinking that ETC's top management was dominated by the Amhara ethnic groups. Some interviewees believed that the transformation was basically aimed at expelling the opposing groups and replacing them by those who were loyal and politically affiliated to the top managers to buttress government control. A few top managers joined the ET's top management team without having political affiliations during the change.

There was political thinking in most Ethiopian industries (both private and state-owned) that was influenced by national politics. However, a former employee contradicted these claims by stating:

> *"I do not believe in this ethnic orientation and mentality of power. There is no power change for me, you can see that the CEO before and after the change is from the same ethnic group. In terms of the management team too, the mix is the same. If the attitude is good, I do not care whether he/she comes from Mars" (Ex-employee E1).*

The former board members believed that ETC had become a house of relatives and groups formed for the government's interests. Some called the grouping as *'son of Abay'*[9] *and 'son of Shebelle'*[10] thus stereotyping them. Many lower level interviewees claimed that the hidden agenda behind the strategic change was disrupting this deep-rooted networking. Government officials believed that the misappropriation was because of such networking among ETC's top management members, and thus the intention was to eradicate this problem. An interviewee commented:

> *"I agree that there was a power shift. The deputy prime minister boldly said that the ex-top management team was spoiled, had developed its own network, and engaged in misappropriations" (Manager H6).*

Ethio Telecom's strategy was derived from the government's growth aspiration plans, and thus the company could not operate independent of the government's intention. Because of this, the main reason for bringing about a power shift in Ethio Telecom was the government's ambition to steer the economic growth of the country. The strategic change in Ethio Telecom was mandatory to fulfill all national responsibilities of a developmental state, that is, strengthening state power through capital accumulation by way of controlled public corporations was taken as a strategy in pursuing the developmentalist approach (Chen, 2011). The telecom company was expected to go one step ahead of all other sectors in the country, but in the past, it had not done so. An interviewee explained:

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[9] Name given to individuals from this locality of the Amhara ethnic group.

[10] Name given to individuals from this locality of the Oromo ethnic group.

"Personally, what I thought was the likely reason was that it was normal for a telecom company to transform since it is dynamic in nature. Restructuring, adopting recent technologies, and going with the competition is a must. For instance, if you go abroad you are expected to compete with Kenyans, Egyptians, Chinese, and westerners. To adapt, you are going to have to change yourself" (Manager T1).

ETC had been focusing on fixed lines in the past, which shifted to mobile phones and then to data services. In parallel, the development of employees' skills and knowledge needs also needed to be the focus. The demand for telecom services was skyrocketing due to the increasing population size. After the transformation, separate management units were established for each telecom service. This division of the units was helpful in focusing on strategic issues under each department. During ETC, there were no business processes and only separate functional units. It was not clear how the work flowed in each department. Though each department had plans, it was difficult to correct systemic problems or problems created by the employees due to the absence of clearly aligned business processes. Challenges related to introducing processes neglected employees who had been working in the technical departments; there was also low educational preparation and lack of experience. One interviewee explained:

"The other grand change I saw was in the customer orientation work. To hear what the customer wanted or correcting the problems that were encountered, a marketing unit was established separately to give emphasis to customer demands. This unit conducted market surveys in line with the strategy of the company and then technical interventions followed. This was immense help for customers" (Supervisor S4).

Launching of such a system brought accountability and if employees failed to meet customer demands they were held responsible. This process-based approach made clear what work belonged to whom and there was no role confusion. Earlier, customer needs were polarized. The redesigned structure was process based and the strategic change was a big-bang. An interviewee from the top management team indicated:

"In 2010, we had roughly 7 million customers but today we have more than 50 million customers. This change is radical in terms of investments, customers, revenues, and the way we deliver our services. Our customers are no longer supposed to come to our office, they can serve themselves by calling 994. They can use call centers even for maintenance purposes" (Officer S1).

Ethio Telecom was automated at a surprising speed, the workflow was systematized, and it became an almost paperless office. It also enhanced employees' exposure to modern technologies and sensitized them to a new working culture. From a workflow perspective, there was major change. There was a substantial change in performance results and customer satisfaction; this is also confirmed by the company's assessments. Nowadays anyone can access Ethio Telecom's services even from the remote desert regional peripheries. Earlier, Sudanese and Kenyan networks had to be accessed in the peripheral areas, but now they are accessing Ethio Telecom's network. Ethio Telecom has enhanced its capacity. This happened because ET's management acquired project management experience from the FT consulting team. The consultancy partnership with FT is continuing and has not stopped fully. FT is still supporting TEXA (Telecom Excellence Academy) at Ethio Telecom. Without doubt, this has led to much more technology exposure. Adopting a multi-vendor strategy, TEP (Telecom Expansion Project) has created network circles most of which are under completion. The vendors are ZTE, Huawei, and Ericson. They have different network circles. FT improved the local staff members' capacity of managing such projects. An interviewee indicated:

> *"We had other projects before FT which showed our deficiencies. The way we run projects after the transformation is completely different from what we used to do earlier" (Manager C1).*

Thus, FT's footprint created greater management capacity. Employees did not sense this change at first. But they saw internal improvements (automation, ERP, CRM, E-CAF, etc.) while the external changes were witnessed by customers afterwards. Internationally, Ethio Telecom has won awards in recent times. Though there was meaningful change, everything was not smooth. It should be admitted that there were some who were affected negatively by the change. For example, the top management could have handled the psycho-social aspects of the change better because there is always room to learn. In material aspects, when one compares the customer base during ETC and after the transformation (Ethio Telecom's era), the difference is great. Differences can also be seen in terms of data, mobile, internet, and fixed lines though this is partly what time and customers have brought about. In addition, the business development situation from the HR perspective is better and this is justified by a pool of educated, well trained, and university graduate employees. Working with young and educated employees will accelerate the development of the company. Lots of work has been done in the customer services area too. Customer numbers have increased drastically, which will contribute to business expansion.

As Ethio Telecom followed the international telecom operations' system (eTOM), it was guided by uniform policies, procedures, and processes in an aligned manner. When a single activity was added to a division, employees believed in the need for process development. So, process thinking for smooth flow of activities was imprinted on the mind of the employees. Many systems were deployed which increased efficiency. The working system was properly established. Learning and growth also became the culture of the company. Knowledge sharing and team spirit were enhanced. There was good alignment among divisions and employees. The process development removed the departmentalized thinking and called for mutual collaboration across work divisions. Overall, all these changes in business thinking were the main strategic changes observed.

4.10.2 Contextual distinctiveness of the transformation

The contextual uniqueness of the transformation lies in its embedment in the developmental state orientation of the Ethiopian government. According to Chen (2011), developmental states go beyond mere market regulations and exercise deep penetration of the entire economy of a country for the sake of absolute control and dominance. Such states are characterized by 'autonomy', 'penetrative power', 'economic rationality', 'deliberation', and 'accountability' (Chen, 2011). Similarly, Chen (2011: 40) explains, "[a] developmental state, by theory, is expected to pursue the state's maximum national development." Thus, following a developmental state orientation, the Ethiopian government tried to deepen its power via transforming ETC (Fantini, 2013; Lefort, 2012; Matfess, 2015). From an economic point of view, this transformation was meant for gearing the national economy by improving telecom services. But on the political side, it had direct implications for grabbing power and strengthening state control as witnessed in concerns about procedural justice during the process of transformation (Leventhal, 1980).

Two other aspects enabled the transformation. The first is change in business culture and the second is change in technology. Technological change directly impacts the economic, social, and political spheres of a nation. The social, political, and economic situation in Ethiopia is not the same as in other countries. Technological change was easier in Ethiopia and Ethio Telecom could enjoy the advantages of being a latecomer. Working culture, attitudes, and political initiations as well as commitment differ across nations which could either hamper or enable transformation. Ethiopia's political leaders' commitment to the transformation agenda appeared to directly affect the transformation efforts as they pursued a developmental state logic. According to interviewees from the middle management, differences in maturity levels, attitudinal predispositions, and resources differentiate the transformation journeys of telecom operators. If this transformation had been done in other countries, it might have been simpler, as Ethiopia's political system and ethnic grouping made the process complicated. Plus, awareness levels were very low among ETC's employees since emphasis on technology and technical skills was a recent policy direction. Thus, ETC lacked practical experience and this aggravated the difficulties.

The other contextual difference is in terms of resources including competency of the top managers as well as their cultural attitude which are unique to Ethiopia when it comes to implementing change. The transformation was unique in Ethiopian business history for the following reasons: Firstly, when FT takes up such management contracts in other developing countries it starts by cutting the workforce at least by half. For example, the same company had done the restructuring of Kenyan telecom after purchasing shares and laying-off the local staff by 50 percent. The way FT treated employees in other countries was harsh as compared to Ethiopia's case. This means that the Ethiopian government had not given FT a blank cheque to do what it wished with the employees. In every decision, be it a purchase or other decisions, the board's involvement from the Ethiopian side was very strong. All major decisions were taken under the board's oversight and approval.

ETC's transformation was contextually different. Strategic change is intertwined with national values, culture, politics, economy, etc. There are cultural differences across nations and thus contextual uniqueness matters during strategic change. In some countries, change is normal but in Ethiopia's context, employee reduction because of change is directly related to the life of individuals. Besides, ETC as a public monopoly had been profitable and thus nobody thought about downsizing or terminations because of the transformation. Many ETC employees were surprised because let alone getting retrenched, they also did not believe that resizing of the company could happen. There had been trust and no worries about bankruptcy since public corporations in the country were preferred organizations as compared to others in terms of performance stability. Such a strategic change might not be as grand as it was in Ethio Telecom's case in developed nations given that they are technologically advanced and there are a number of competitors. Besides, such a strategic change might not be visible due to technological maturity.

Culturally speaking, Ethiopians are very rigid and individuals tend to resist and are not receptive to new things. In the Ethiopian context, it is very difficult to openly discuss politics given the economic and social situation that its citizens are in. In this respect, people were afraid of politics during the transformation and some retrenched employees went for their own options since it was difficult for them to fight against the strategic change as it was sponsored by the government for the sake of its developmental agenda.

4.10.3 The strategic transformation process

The strategic transformation process in Ethio Telecom is given in Figure 4.2. The figure has three parts: *causation matrix* - summarizing the antecedents; *process matrix* – giving phase-wise explanations of the sequential events, activities, and stages; and the *outcome matrix* - elaborating on the consequences. This is linked to detailing Pettigrew's process dimension.

The core antecedent of the transformation was developmental state intervention by the Government of Ethiopia with the aim of bringing about development through a series of growth and transformation plans (GTP I & GTP II[11]) as well as deepening state power for realizing development initiatives. At the same time, shifts in telecom technology by the public switched the telecommunication network to the next generation network, internal problems within ETC, management misappropriations as linked to rent-seeking tendencies, and polarized customer demands can also be cited as reasons for the telecom transformation happening. The need for strategically transforming ETC in line with global telecom standards was unquestionable. The criticisms centered on the process of the transformation. The procedural, distributive, and interactional justice aspects were underplayed during the process of transforming ETC to Ethio Telecom (Cropanzano et al., 2007; Greenberg, 2001). The process matrix has eight phases as shown in Figure 4.2.

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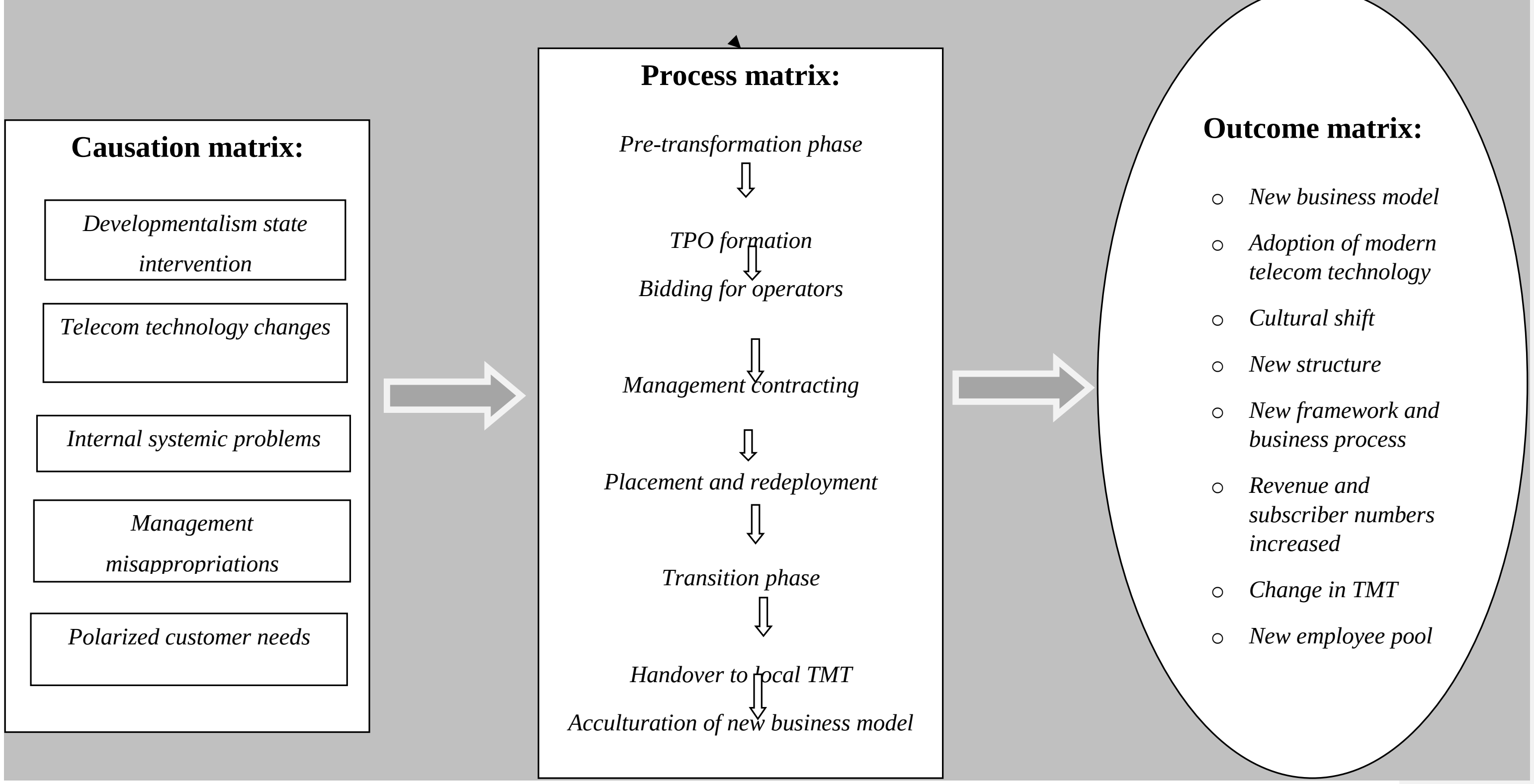
[11] GTP I= Growth and Transformation Plan I from 2010-15; GTP II – Growth and Transformation Plan II from 2016-20. The GTPs are development strategies crafted by the Ethiopian government following a developmental political economy orientation. Public development enterprises, including Ethio Telecom, derive their strategies from these national level development plans.

Figure 4.2: Graphic display of ETC's transformation



The process matrix constitutes the pre-transformation phase; the transformation program office's formation (the coalition mystery); bidding for international operators; management contracting; placement and redeployment; transition phase; handing over to the local management team; and acculturation of the new business model. This phase-wise decomposition shows the processual events in the transformation. As discussed earlier, the importance placed on technological upgrading led to an aggressive emphasis on wireless and mobile technology which contributed its fair share in creating a surplus employee pool in some sections before the transformation. Thus, the inescapable fact linked to the strategic transformation of Ethiopian Telecommunications Corporation to Ethio Telecom is the fate of the retrenched employees and relocation of the retained ones. Ethio Telecom was born as a newly branded company and human resources were recruited from the existing pool accompanied by an injection of new blood from universities and top managers from other companies. Still, placement decisions were a mysterious *'black-box'* for most stakeholders. This lends itself to a lack of procedural justice during the placements (Thibaut & Walker, 1975).

There are some indications of the problems with the downsizing and re-assigning of jobs, as some interviewees said that an employee who had died before the transformation happened appeared on the list of placements. This erroneous placement was quoted by retained employees as 'dying was better than staying alive' for ensuring job security in Ethio Telecom during the transformation. Some middle managers attributed this placement of a *'dead'* employee and removing of vibrant and alive ones as a problem of data management. Conversely, this implies that the data cleaning and management problem had impacted the professional 'lives' of many experienced, competent, and vibrant ETC employees adversely as they were victimized because of relying on such data. In addition, employee enrolments were done in five phases. In all the stages, *'attitude'* was taken as a central parameter for screening-out employees. Thus, the politically coined interpretation of attitude indicates the presence of randomized and perceived nepotistic placement platforms, as the objective measure of attitude was not in place. This is theoretically supported by the absence of distributive justice during the placement process (Adams, 1965; Campbell & Finch, 2004). Besides, "the procedures used to determine outcomes can be more influential than the outcome itself" (Campbell & Finch, 2004: 179). If the criteria and process of placement and redeployment had been transparent, the inconvenience would have lessened.

A lot of ups and downs and lack of transparency characterized the process of transformation. Here what matters is not the reduction of employees but how the downsizing was done. From an organizational justice perspective, "how people perceived in terms of distributive, procedural and interactional fairness, influences their attitudes (psychological withdrawal) and behaviors (e.g. turnover)" (Seo & Hill, 2005:432; Greenberg, 1987).

"Interactional justice concerns call for handling displaced employees with fairness and respect, providing adequate explanations of the need for change and acknowledging the adversities that employees are facing" (Fried et al., 1996; Gutknecht & Keys, 1993 as cited in Seo & Hill, 2005: 432). So, downsizing could have been executed justly without much noise or affecting the organizational climate. Injection of new blood from the outside was a necessity as far as the change was concerned. For this to be realistic, proper auditing of the existing skills, knowledge, and attitudes in the HR pool were vital. After this, identification of skills and competency gaps to be filled by outside recruitment could have been done more easily. Removing unfit employees would have been logical if done in such a manner. That is, if the procedures used to arrive at decisions were known to the subjects of change, they might have accepted such decisions irrespective of their outcomes (Thibaut & Walker, 1975). Here, procedural justice comes into play. Procedural justice affirms that the process is a more powerful factor in perceptions about justice than outcomes (Cropanzano & Greenberg, 1997).

The mismanagement of the placement process was manifested in perceptions that the placements and appointments had not been based on merit but on personal affiliations and intimacy with higher officials and immediate bosses. First, the background of the candidate was studied, his/her political affiliation was seen, and his/her identity (ethnicity) considered. Lastly, he/she was called for an interview. From an organizational justice theory perspective, *"what you give is less important than how you give it.* A sense of distributive injustice leads to feelings of relative deprivation" (Beugr, 2002: 1097). This distributional injustice manifested itself while transforming ETC in the form of allotting key management posts as political favors without considering merit. Appointments based on ethnicity and favoritism were observed. This could be evidenced by perceptions about the TPO being a collection of cadres and formation of political cells as well as inner circles for assuring job security. Further, the placements of chief officers, officers, and managers were done on an assignment basis. Legally, assignments are based on appointment, and thus they do not need public criteria. However, the question is, should the placements be based on authoritative appointments or meritorious selection? If the motive was the creation of a vibrant telecom company that was globally competitive, such employee assignments were bound to come under attack.

The other critical thing was the non-suppression of political involvement during the change process. Political intervention that does not support the change team is unhealthy. Political involvement in a government company is a given, but the challenge is to find professional politicians who have know-how about designing and implementing strategic change. “Theories of organizational justice are incomplete without the consideration of political concerns and dynamics” (Woodilla & Forray, 2008: 4). Here, the involvement of politically affiliated leaders was not a curse, but what was questioned was how fairly they made change decisions.

ETC’s labor union had strongly resisted the transformation by joining hands with employees who were not selected and this led to a war against organizational injustices. The labor union forwarded cases to the courts and disseminated information to various media, which made it very difficult to manage the process of transformation as there were massive public reactions. As a result, the intensity of resistance gave birth to Hidassie Telecom as a facilitation mechanism. Afterwards, the invisible leaders were forced to quit their original plan and they opted for accommodating the retrenched employees through a redeployment strategy. Their redeployment to Hidassie Telecom was promoted by the government, not by the FT team, because it feared that the increasing resistance would negatively impact macro-politics. Some employees who were not willing to work at Hidassie Telecom left ET voluntarily. Perceived intolerant firing of people by FT for silly reasons had created an atmosphere of suspicion and uncertainty during the transition as a negative spill-over effect of the FT team. The absence of unified and objective criteria of employee placements opened the door for selections based on friendship, intimacy, relationships, and referrals by colleagues.

This is best exemplified by the ‘nocturnal communication’ during the transition. Not everything was open to employees and there existed information asymmetry. The transformation was not accessible to the media and was not open to the public due to fears of premature disturbances and was thus a *‘closed-door change policy’.* A Facebook account was created in name of *‘old ETC’* which exploited the information dissemination incapability of Ethio Telecom's recruits during the time. Given that ETC was under the Ministry of Information and Communication Technology (MCIT), the change leaders could have exploited the media in advance rather than reacting when the process backfired. Besides, a more proactive promotion and communication of the transformation agenda might have lessened the degree of employees' resistance that forced change leaders to establish Hidassie Telecom. This lends itself to us concluding that there was the absence of interactional justice (Tyler & Bies, 1990). In a nutshell, the change agents' initial plan was downplayed by employees' revolt. The process was thus not very well managed in view of most key informants. A major point of criticism was that the strategic change was not participatory. It was an imposition from above. However, some opposed this view insisting that as ETC is a government organization, one could not say that the change was an imposition. *Who imposes on whom?* In addition, it was a government monopoly. The owner is the government. Thus, it can change its organization whenever it wants. However, given the organizational justice theory one can argue whether organizational justice was followed (Cropanzano et al., 2007).

Chapter 5: Findings and Analysis of the CBE and CBB merger case

This chapter follows a similar phase-wise structure as Chapter 4 in presenting and analyzing the findings of the absorptive merger between the Commercial Bank of Ethiopia (CBE) and the Construction and Business Bank (CBB). It starts by highlighting the pre-merger contextual and historical aspects as grounds for positioning the subsequent phases of the absorptive merger and amalgamation of the two banks. This strategic transformation passed through many ups and downs, including strategy reorientation by CBB and CBE, process re-engineering, using banking technology, passive resistance, and career displacements on CBB's side and banking product innovations at CBE. The merger project was for 90 days (three months) which resulted in CBE completely absorbing CBB, power shifts, killing identities, and a strategic metamorphosis. The analysis includes the pre-merger phase, the amalgamation phase, and the post-merger phase for a processual and contextual visualization of the strategic changes that happened between the two major banks in Ethiopia as a precursor of the strategic moves in the banking industry in a developmental state context. Finally, the chapter also has a within-case discussion and the lessons learnt.

5.1 Company profile

There are four principal events which divide the Ethiopian banking history into different periods. The first was the establishment of the Bank of Abyssinia in 1906, marking the advent of banking in the country. The second was in 1943, with the establishment of the State Bank of Ethiopia which marked the birth of Ethiopian independent banking. The third event was the revolution of 1974, which wiped out the monarchy, nationalized companies, and shaped a 'socialist banking' system. The fourth event was the collapse of the socialist regime followed by financial sector reforms and liberalization according to the Monetary and Banking Proclamation of 1994 (Mauri, 2003). The fourth event marked a turning point in the history of the Ethiopian banking industry as it opened its doors to domestic private commercial banks.

After liberalization in 1994, commercial engagement and massive expansion were initiated at CBE. By the same token, the reinstituted CBB changed its business model and started commercial activities in 1994.

CBE was legally established as a share company in 1963. Today, CBE is the largest and leading commercial bank in Ethiopia. In its 75 years of existence in the banking industry, it has reached 495.4 billion birr in assets; it had approximately 67 percent of the deposits and about 53 percent of all bank loans in the country, commanded 40 percent of the market share in the banking industry as of 2017 as indicated in CBE's annual report. After merging with the Construction and Business Bank, CBE has around 33,365 employees and roughly 1,235 branches located in major cities and regional towns. It also has 1,576 ATMs, 7,068 POS machines, 16.6 million account holders, 1.28 million mobile banking users, 382.2 billion birr in deposits, 43.1 billion birr as capital and reserves, and 159.3 billion birr in loans and advances (as of 2017). In terms of overseas branches, it has strong correspondent relationships with more than 50 renowned foreign banks like Commerzbank AG, Royal Bank of Canada, City Bank, and HSBC Bank.

CBE has a SWIFT bilateral arrangement with more than 700 other banks across the world. CBE was a pioneer in introducing the Western Union Money Transfer Services in Ethiopia in the early 1990s and is currently working with 20 other money transfer agents like Money Gram, Atlantic International (Bole), and Xpress Money. The bank operates two branches in South Sudan, and is contemplating re-opening a branch in Djibouti and opening branches in Dubai and Washington DC to serve the Ethiopian diaspora. The bank was a pioneer in modern banking in Ethiopia and is credited with playing a catalytic role in the economic progress and development of the country. It was also the first bank in Ethiopia to introduce ATM services for local users. CBE is envisioned to become a world-class commercial bank by 2025.

5.2 The Pre-merger phase (1994 – 2015)

The pre-merger phase is marked by the strategic positions and orientations of both CBE and CBB before they embarked on the strategic change. CBE is the largest and leading commercial bank in Ethiopia, with a long-established presence in the industry. It also serves as the backbone of Ethiopia's economy. It is mandated with the responsibility of improving financial literacy and inclusion of citizens in addition to profit making for financing the country's mega public projects. It also supports private sector investments. On the other hand, CBB was mandated with the financing of housing and construction sectors before its strategic move to engage in universal banking in 1994. After 1994, it adopted the '*70 – 30'* strategy where 30 percent of its work was in construction areas and 70 percent was devoted to commercial activities. This was a U-turn in its mission which ended in its amalgamation with CBE.

The following sub-sections discuss the pre-merger situation of both the banks to understand the deep-rooted strategic issues that culminated in their merger. They discuss business process re-engineering (BPR) initiatives, strategic reorientation with universal banking, CBE and CBB's final performance before the merger, and other strategic moves as a precursor of the final strategic change (absorptive merger).

5.2.1 Change history: Business process re-engineering as a precursor of the reforms

A major strategic change introduced by the government was financial sector reforms in all public banks in 1994. Starting from 2000, there were changes in business processes focusing on system improvements in all public service organizations. Thereafter, a balanced scorecard (BSC) was promoted. With respect to technology, different enhancements for upgrading were tried. During this time, the major changes at CBE can be seen from four angles: reachability, investments in the HRD strategy, investments in banking technologies to streamline banking services, and the risk-taking disposition and strategic orientation of the top management.

There were changes both in the internal and external environment, though it was believed that the external pressures prevailed. The important changes in the external environment were increasing competition in the industry and the government's capacity building and institutional reform programs in all sectors starting 1994. Internally, CBE first implemented BPR that focused on customer services and operations, it introduced structural changes, and reassigned its employees accordingly. Thus, one of the major changes that were made was BPR which was introduced in 2009. This was complemented by strategic changes like a deposit mobilization strategy, a foreign currency collection strategy (FCY), and a new marketing strategy.

BPR's implementation was taken as one of the grand reforms in the bank. BPR radically changed traditional service provisions by introducing a process-based structure. Before BPR, the processes of service provisions had been slow and backward but with BPR a one-window service was implemented which made the service provision fast and agile. BPR's implementation was done after using five world class banks as benchmarks. The BPR team conducted this benchmarking exercise by directly visiting these banks: HSBC, CITI Bank, Commerzbank, State Bank of India, and the Industrial and Commercial Bank of China. The team thoroughly studied their practices and based on this study, implemented changes in CBE. Previously the bank was nicknamed 'the *giant and the* *sluggish'*. The bank's management and the board of directors reached a consensus to change the bank's service provision system at any cost. Because of the changes that were made, long queues for bank services became history, and anyone could get banking services within 5 to 10 minutes which was in line with the standard delivery time set by the bank. A manager from the change management office explained:

> *"Starting from 2009, the bank made changes besides implementing BPR. CBE moved from being a traditional and sluggish banking service to a modern banking system. The bank aspires to become a world class commercial bank by 2025 and this demands a professional workforce and state-of-the-art technologies" (Manager CM1).*

BPR was initiated externally by the government's capacity building programs and implemented following a closed approach whereby team members were sent to an area far from the head office for maintaining confidentiality and secrecy. There was a fear of reduction among the employees when BPR was initiated since automation is often connected with doing more with less manpower. This was because the BPR project was not explained to all the employees to the level expected in terms of transparency and participation. According to interviewees at the bank, only two large meetings for communicating this change initiative took place. A senior officer from the monitoring and evaluation (M&E) office said it was challenging since she had been in one of the three pilot branches when BPR was implemented on a pilot basis. Thereafter, it was implemented fully. Previously, there had been no one window service and the decision-making power was centralized. Besides, customers had to pass through several decision points at the counter. In the pilot process at branches, the bank incorporated feedback before fully launching BPR. Feedback was also got during the full implementation process. She added:

> *"For instance, I had been in the follow-up team during the implementation and I observed that a work assigned to a single accountant was the same workload which was previously done by around 10 individuals. So, workload adjustments were done after a check in the follow-up process. As a member of the follow-up team, I observed that what was crafted on paper sometimes appeared to be difficult on the ground and for solving this issue customization had to done" (Officer ME1).*

BPR drastically improved the service provision process. Another interviewee, a senior expert in the M&E office, acknowledged:

"Honestly speaking with confidence, I think the bank was born anew after the change. I was a member of the support BPR team as a new recruit during 2008-09 when BPR was under implementation. The change was very surprising for me. When we look at the five-years' strategic plan evaluation report, in terms of every parameter there were remarkable changes, be it in the number of branches, deposit awareness, or others" (Expert ME2).

Earlier, every branch was evaluated based on credit and profit figures. When a customer came to open a savings account, employees referred the person to other branches for the service due to low awareness about deposit mobilization and too much emphasis on credit measures. In Ethiopia, demand for credit is a given, but the problem is on the supply side. Thus, the bank acted proactively to cater to this high demand via encouraging deposit mobilization, which other banks failed to do. For instance, the deposit amount in 2010 was around 56 billion birr and after five years it reached had 242 billion birr. The initial plan was reaching 188 billion birr. There were only 220 branches but at the end of the five-year strategic plan (2014-15), this number had reached 960. There were 2.2 million account holders which had increased to roughly 13.3 million by the end of the strategic plan. The number of employees, account holders, asset size, deposit, and capital increased enormously.

Two things in particular appeared to be important for the success of the bank: BPR brought radical improvements especially in customer accounts and transactions (CATS) by creating a single point of contact in transactions and the focus shifted to resource mobilization rather than mainly being on credit.

Also, according to the earlier functional orientation among the departments, employees did not know the work of other functional units, but when the organization was changed to a process-based structure, employees knew the processes from start to end. Earlier there was narrow specialization and limited experience but after the HRD strategy was implemented there was a succession plan with a clear career ladder. To achieve its strategy, the bank laid emphasis on overall HRD programs. A grand task was crafting the bank's HRD strategy with the help of the Frankfurt School of Finance and Management which worked on HRD and restructured the HR unit into two: HRM and HRD. Under HRM came recruitments and selection, employee relations and communication, and HR transactions at the managerial level. Under HRD, there was learning and development, performance management, and units for succession planning. Consultants developed details starting from the objective and strategy and included policies and procedures in collaboration with the concerned managers, process council directors, and vice presidents. They looked at what could work best for CBE while designing policies, processes, and integrating processes. Work on the HRD strategy started in 2011.

An interviewee explained that the main HR decision areas were centralized, while some were decentralized to the districts. For posts at the district level, the decisions were decentralized. Succession was from the succession pool following the career map developed by the bank. There was 360-degree evaluation and personal development program (PDP) criteria for deciding on successors. For example, if an employee was at job grade-13, and if any promotion came up, a person was selected from the pool of experts at job grade-13 in a similar job title. The successors were capacitated by imparting the desired competencies through training, including skill competency, leadership competency, and technical competency to them. There were detailed parameters for enabling successor's capabilities. Based on the identified competency gaps, specific training was given to employees for promotions to the next level following the bank's career map. The succession plan was good for the continuity and sustainability of the bank's business. Diversity management was emphasized and capability building was started from the top management down to shop level employees. However, there were challenges, such as lack of trust in new banking technologies like mobile banking, citizens' rigidity, low receptiveness to new products, and inability to operate new technologies.

The bank saw itself as a *'learning organization',* and there was not much internal resistance since employees were largely open to learning. All changes, except BPR, were internally started by CBE's management in response to growing competition in the industry and considering its vision for 2025 in alignment with the Ethiopian government's developmental agenda. CBE was more successful than many other organizations in the country since the felt ownership of the BPR process by the internal management was believed to be high.

CBE got its own information systems department to develop an information solution. After implementing BPR, the bank introduced international-standard modern IT solutions including its core banking system – T24 (developed by TEMENOS[12]). An interviewee from the change management office explained that first the core and support processes were properly delineated. The core processes included credit, trade services (TS), and CATS. The central focus was on these basic banking processes and technological support for them was emphasized. These were the processes that were implemented first. Afterwards, support processes including finance, HR, and the like, were implemented. The implementation was done step by step and took roughly two years. The BPR implementation that started in 2009 led to changing the organizational structure and overall systems because of incremental updating. There was a major structural surgery when the bank adopted a process-based structure. To expand its services' reachability, CBE now runs over 1,200 branches throughout the country. Most branches were opened between 2010 and 2015. In terms of technology use, the bank introduced ATMs, POS machines, and mobile and internet banking for serving mass-based customers.

Overall, BPR brought about great improvements. Some interviewees said:

> *"The need for BPR was mainly for cutting unnecessary duplication in terms of activities and work units, since the structure was function-based and did not maintain workflows in the bank. BPR's main focus was avoiding effort duplication, increasing efficiency, improving service quality, and cutting costs" (Manager PD1 and Officer PD2).*

Earlier the departments were organized in a function-oriented, fragmented manner and there was no one-window service so customers queued up for sequential steps starting from filling in a service request form, then the back office checking the form, and then moving to the payment window. It was a lengthy process for a given transaction and thus identifying value adding processes was crucial and BPR did that. With BPR, the operations became process-based and were organized in a coherent flow of activities. An interviewee said:

> *"Given the expansive nature of the bank, changes brought by BPR were swallowed by the very expanding customer base and things turned to a normal state as before. Thus, the introduction of new things was unquestionable for me" (Controller HR2).*

There were eight processes led by vice presidents and three departments led by chief officers. Among the eight processes led by vice presidents, three were core processes for

[12] TEMENOS = an IT company engaged in software development for companies in the banking and finance industries.

the bank including trade services (responsible for import and export financing), customer accounts and transactions (responsible for branch activities and saving mobilization), and the credit process (responsible for managing credit). The others were support processes, including corporate HR management, facility management, risk and compliance, and legal support.

CBE had a center of excellence that all players in the industry were expected to have for providing training. There is a training institute led by NBE for banks and insurance companies to provide support to employees. The Ethiopian Management Institute has good capacity in this regard. Most domestic training centers are not imparting bank specific competencies and knowledge, and are thus theoretical. An interviewee added:

> *"When a trainer came to deliver training on borrowing/credit, he/she might give you theoretical lectures on what you had already covered in the formal college education. To mention a specific case, one trainer who came from the Frankfurt School had many years of experience in the banking industry of Ethiopia. He was retired and engaged in consultancy services in the banking industry. There was very high-level knowledge transfer from him which was specific to the banking sector. We benefited a lot from this trainer" (Expert SM2).*

But he contended that for ensuring the sustainability of the center of excellence established by CBE:

> *"Ideally, I believe dependence on foreign expertise is not sustainable. We could exploit retired experts in our own country to better catalyze training and research excellence in the sector" (Expert SM2).*

In addition to BPR, enterprise resource planning (ERP) was implemented in 2015. ERP's focus was on automation of work procedures. The ERP initiative touched many aspects of jobs and offices. While implementing ERP, surveys were conducted, there were training interventions, and communication aspects were addressed by the newly established change management office at CBE. This readiness was meant to reduce possible resistance among the employees. Though strategic change is a worldwide concept, it is more so in Ethiopia as the country has a rigid culture. Hence, different research approaches, mechanisms, strategies, and interventions might be required for the successful implementation of strategic change projects in banks in Ethiopia.

5.2.2 CBB's strategic reorientation to universal banking

CBB has existed for over 40 years and was established with the main mission of facilitating the urbanization process of the country during Haile Sillassie I's time. It was then called the Housing and Construction Bank. Then, during the Dergue regime (1974-91), it was renamed the Housing and Saving Bank (HSB) by merging two institutions. The emphasis then was on supporting urban housing and construction as its core areas. After the downfall of the Dergue regime (in 1991), the policy emphasis shifted to privatizing redundant institutions and accelerating privatization. The major option tried during this time was selling CBB to private companies. Thus, its name was changed from Housing and Saving Bank to Construction and Business Bank and it was offered for sale in the market. Unfortunately, this move was not successful and it was allowed to continue as a government owned bank. HSB was reconstituted as the Construction and Business Bank (CBB) in September 1994 by regulation No. 203/1994 with an authorized capital of 71.8 million birr. The regulation gave CBB the mandate to provide universal banking services.

An interviewee, who is a former CBB staff, said that when the mandate of the then Housing and Construction Bank was validated and redefined, the considerations were openness of the market, absence of other competitive banks in the industry since the private banks had joined the industry recently, and the ambition of expanding its business. Focusing on the construction sector only would affect the bank's liquidity position and therefore it was decided that it would engage in universal banking. Tapping into such a lucrative business would make the bank more profitable and the name change to CBB was done taking this new direction into account. In what followed, CBB systematically withdrew from mortgage financing as focusing on the construction industry would have led to more tied-up capital and hindered the profitability of the bank. Its renaming to CBB had been with the aim of enabling it to engage in both commercial and construction businesses. CBB was given an equal chance with CBE starting from that time. An interviewee said:

> *"There are technical arguments for engaging in construction. Construction loans are given for a long period so at the same time the bank should have long term deposit mobilization to avoid maturity mismatches. Thus, the government should have channeled money from other sources to focus on the construction specialty area. This problem compelled CBB to engage in all banking services and divorce itself from its focus area" (Controller HR2).*

CBB was purposely engaged in universal banking which incorporated its mortgage aspects (construction) and universal banking services (commercial business). It had played the mortgage role with support from the government. The government with its sectoral associations like the Ministry of Finance and Ministry of Housing and Construction had been engaged in modernizing towns and building standardized houses for citizens. The housing-construction responsibility had been jointly done with the government. Changes in the political orientation and the government's policy direction made it difficult for CBB to continue its emphasis on the construction business. The developmental state logic compelled CBB to engage in resource mobilization and support the government through finance. As one of the developmental enterprises of the government CBB was expected to make profits thus supporting its developmental ambitions. Because of this, the top management at the bank decided to acknowledge it as a development enterprise and thus the bank's specialization was given up.

A senior officer in the change management office at CBE corroborated that giving up its specialty and looking at universal banking was the direction proposed by the government and was meant for creating strong financial institutions. CBB diverted its mission to a business orientation and inserted itself into providing conventional banking services rather than focusing on its specialty -- construction. This created a problem for the bank since it demanded a strategy reorientation, competing with other commercial banks, and so on. It was not viable for the government to duplicate efforts in commercial activities. For instance, the Development Bank of Ethiopia (DBE) had a well-defined national role and is continuing in this role as it maintained its own identity that the government acknowledged. CBE could support DBE through inter-bank loans by providing working capital, but there was no role overlap between CBE and DBE.

Former CBB employees maintain that the reason for its declining performance was CBE's engagement in construction areas while it had been CBB's mandate. But one could consider the Industrial and Commercial Bank of China, a giant bank in the world, which supports all sectors in the country. Thus, CBE's engagement in construction projects might have been a response to CBB's inabilities. An interviewee said:

> *"If we want a specialty bank in our country, that bank should have sufficient liquid capital. But, CBB could not even support itself sufficiently let alone go in for specialization. CBE had mobilized adequate financial capital, more than it needed, and was financing many public projects" (Manager PD1).*

He further explained that to have a specialized housing and construction bank, the bank's financial capacity is crucial. If the government asked private banks to finance housing projects, they would probably not be willing to do so and also not have enough financial capacity. Thus, CBE was just stepping in and taking national responsibility for financing such projects. He argued:

> *"If we lent the money that we were giving to housing construction to other businesses at high interest rates, we would reap more profits. We were just making a small profit out of these projects" (Manager PD1).*

CBE's engagement in the housing construction sector was for the sake of discharging its governmental responsibility. Short-term loans are more profitable than long-term ones, which are typical for constructions projects, since there might be defaults in long-term loans.

5.2.3 CBE and CBB's cultures

Regarding the cultural distinctiveness of CBE and CBB even though they were operating in a similar industry, one interviewee from the office of strategy management said:

> *"From what I observed, every organization has a culture that it nurtures. In this respect, CBB had more of a familial culture. For instance, the power distance was very less in CBB. It was possible to contact, talk, and appeal to any manager in CBB regardless of hierarchical levels. The bosses were not feared and not at a distance whereas as far as I knew, the bosses in CBE were highly respected, feared, and removed from the employees" (Expert SM2).*

He further explained that often in CBB things were handled via informal relationships. But in CBE, everything flowed through the formal chain of command. He thought this cultural difference was created by the structural and size differences in the banks. Another interviewee from the change management office indicated that most of the time there was a lower workload and low engagement among employees in CBB. An interviewee from the HR unit explained that in CBB it was easy to access any top manager:

> *"If I decided to contact the president, I could just walk and talk to him. But, in CBE, as you go up the hierarchy, access is very difficult and bureaucratic. In terms of socialization, we had an annual CBB-day which we all celebrated together but in CBE, every unit had its own retreat program" (Controller HR2).*

In terms of size[13] and performance, the volume of business transactions by CBB and CBE was incomparable. CBE was leading in the industry by a distance. CBE and CBB's asset accumulation was also far apart. The presidents who managed CBE and CBB did not have the same degree of responsibility since the banks differed in many aspects.

Before 2010, CBE had roughly 220 branches. But, between 2010 and 2015, this number reached roughly 960. This tremendous branching-out resulted in increased profits, assets, and performance for CBE. On the one hand, branching out benefitted the bank strategically, and on the other hand, expanding access to the whole society instead of mainly concentrating in Addis, Bahir Dar, Mekelle, Hawassa, or other regional towns was its national responsibility. In contrast, CBB's performance in the last decades had not been impressive, with its assets amounting to roughly 7 billion birr and total deposits around 5 billion birr.

5.2.4 Role of NBE and the Public Financial Enterprises Agency (PFEA)

The National Bank of Ethiopia (NBE) regulates the financial sector in the country. NBE works on promulgating financial laws, changing these laws, and controlling their implementation. It translates proclamations into directives, procedures, and policies in line with government requirements and the law. It is also responsible for preventing money laundering and countering financing terrorism in collaboration with the Financial Intelligence Center (FIC) of Ethiopia. The national bank directs the monetary economy, and thus the responsibility of bank regulation is bestowed on NBE. NBE promulgates regulations related to inflation, foreign exchange, and other related financial matters. Around the world, the responsibility of a central or a national bank is implementing the government's monetary policy. Having a central bank is a customary practice in developed countries too. In Ethiopia, the responsibility of ensuring a healthy monetary policy lies with NBE. The prevention of financial frauds, changing banks' CEOs, changing banks' board members, ensuring trust in correspondent banking transactions, and safeguarding depositors' in case of a bankruptcy are NBE's vital roles. It is

[13] Before 2010, CBB had 79 branches while CBE had 220. CBB's total assets were 7 billion birr compared to 114.3 billion birr for CBE. CBB's total capital was around 277 million birr compared to 6.3 billion birr for CBE. CBB's total deposits were 5 billion birr and that of CBE were around 56 billion birr (NBE annual report, 2010-11).

compulsory for all banks in Ethiopia to abide by NBE's directives. By all accounts, NBE's work is enabling and not constraining.

PFEA was established by a proclamation for controlling and administering the performance of public financial enterprises to the extent of changing their board members and CEOs. PFEA acts as an owner only for government owned financial enterprises while NBE is a supervisor for all public and private financial enterprises. PFEA oversees the day to day functioning of public financial enterprises while NBE cannot intervene in profit and loss issues. PFEA is a controlling authority of governmental financial enterprises. For example, it could follow up on why a public bank is incurring losses.

The country's monetary system can be seen to be regulated. Since the financial sector is very sensitive, its being regulated is good for ensuring a sustainable financial system in the country as this will prevent occurrence of financial crises like the crisis that was seen in developed nations in 2007-08. On the other hand, regulations might limit financial innovations and lessen flexibility. In Ethiopian banking history, no single bank has closed because of bankruptcy, which is partly a result of strict regulations. Unlike Nigeria, the regulatory nature of the industry in Ethiopia has brought about a disciplined financial system. Strict regulations and the government's resource mobilization interests prohibited foreign banks from operating in Ethiopia. The developmental state logic augments the government's interest in strengthening regulations in the banking industry by developing its own commercial banks through enhanced resource mobilization. Despite the lacunae, the regulatory approach is good for domestic banks as they operate in a protected industry.

An interviewee from the office of strategy management explained that NBE's directives concern financial policy matters. But beyond this, its involvement in strategic issues like business growth, service excellence, technology adoption, HRM, and increasing the variety of products/services is limited. Overall, the financial regulations can be considered as being supportive of CBE and not constraining it. Similarly, another interviewee from the trade service department stressed that if the regulations were not there, for instance, in trade services (TS), there would be fraud like money-laundering. Even with strict regulations, it is not uncommon to observe unfair competition among commercial banks in TS areas. Thus, strict control and regulations are essential in a developing country like Ethiopia for safeguarding the public money circulating in banks. However, this does not mean that NBE needs to continue with some old regulations that no longer match the industry's dynamism. For example, the branching out directive by NBE for all banks in the country could not be imposed on CBE since CBE had been aggressively branching out before this directive. So, it was not a must for CBE to comply with this directive. Over years, CBE opened roughly 150 branches every year. NBE requested private banks to balance their branches in rural and urban areas since the private banks were mainly confined to urban areas as they wanted to exploit the lucrative business leaving aside their public responsibilities. This directive helped in increasing the money circulating in banks. An interviewee elaborated:

> *"If you see the standards set by NBE, only a small proportion of money was in banks and the lion's share was outside. For creating a monetized economy, accessibility is a prerequisite. Billions of birrs were outside banks and getting this money into banks was possible through branch expansion. Plus, so much money outside banks is not healthy for the national economy either" (Manager CM1)*.

NBE's intervention in branch expansion was timely and reasonable from the perspective of reaching the unbanked. It was beneficial for banks if they pursued such a strategy for getting public trust and acceptance. The banking business has no hidden miracle other than the collection of resources where they are surplus and distributing these in deficient areas (that is playing an intermediation role). Thus, private banks could mobilize resources by opening more branches than by engaging in cut-throat fights confined to urban areas.

An interviewee underscored that education and awareness about savings (that is, awareness creation about banking in society) is not the responsibility of CBE alone but also of developmental partners at the kebele[14], woreda, and zonal levels. Banks and various governmental bodies have been given targets to teach the public about savings through community gatherings like '*idir', 'equib*[15]*',* association meetings, and forums. The Ethiopian government aims to join the group of middle income countries by 2025.

[14] Kebele, woreda, and zone are the different governmental structures below regional governments in Ethiopia.

[15] *Idir* and *equib* are informal associations among people for financial contributions and support during death and other major social events.

For this, private commercial banks have to accept the opening of more branches in rural areas as required by NBE's directive.

Typically, NBE's regulations hinge on two things: the first is control of interest rates and the second is risk aspects. The amount of reserves required is regulated by NBE. Within banking, there tends to be a mismatch between deposits and lending. In practice, any customer can withdraw his/her deposit at any time from a bank, but the loan given by a bank is for a specified period. Thus, by the time a customer withdraws his/her money, a bank might not have collected what he/she had borrowed leading to the possibility of a liquidity mismatch. If a bank collapses, this reserve is to be used for paying customers. Therefore, holding reserves and protecting against embezzlements enhance banks' well-being.

5.2.5 Decision for amalgamation/absorptive merger

The decision to merge CBE and CBB was taken after taking into account the national agenda, examining the economic situation, and considering what might come ahead. The government had been seriously concerned about the fate of CBB between 2010 and 2015, which was paralleled by its growth and transformation plans for promoting the developmental state logic. CBB's unsatisfactory performance, similarities of its commercial activities with CBE, and the possibility of merging it with CBE were the reasons for the merger to create a strong bank that had been a long-standing issue for the government during the five years before the merger. CBB's top management knew of the possibility of a merger much earlier. The probability of a merger was well-known though the time of the merger was not specified. The initiative and the decision came from the government, not from the banks' managements.

Several pre-assessments about a possible merger were done. CBB, CBE, and the Development Bank of Ethiopia (DBE) did a study to identify the role of the government in public banks before the merger. The general analysis hinged on having proper resource allocation and financial intermediation roles for the banking industry. The prime role of any bank is financial intermediation. In the past, CBB had not played a good intermediation role in mobilizing resources. If it was unable to mobilize needed resources, its existence as a bank would be in question. CBE helped DBE through the inter-bank loan financial channeling. The lion's share of financial sourcing was shouldered by CBE, and thus the merger was not only a matter of government interest but was also based on the internal problems at CBB. Thus, the prime motive for the merger was CBB's inability to play its expected financial intermediation role properly. Besides, the government needed to avoid unnecessary duplication of mandates among its institutions. It believed that combining the two would avoid a fragmentation of efforts and resources on the one hand and reduce the administrative burden for the government on the other hand.

While taking a decision for consolidation, the steering committee composed of representatives from PFEA, CBE, and CBB looked at two approaches for the merger. The first was through absorption and the second was via establishment. Since a merger via establishment calls for the establishment of a new venture by two competing and balanced firms, the merger steering committee chose merger by absorption for amalgamating CBB with CBE because CBE had high negotiation powers connected to its size and capital share. Therefore, CBE swallowed CBB, and CBB ceased to exist in the industry. Some interviewees from the business development office explained:

> *"Our case was not an acquisition since no public share offering or buyout of some percentage of ownership took place. In addition, when we assessed the legal environment of the banking business in Ethiopia, we found a gap. Thus, when CBE and CBB combined, it was via a regulation of the council of ministers on the conceptual understanding of 'amalgamation'. The legal base for this merger was the proclamation No. 25/1992, based on articles 35 and 36" (Manager PD1 and Officer PD2).*

These articles deal with amalgamation of public enterprises and are applicable only for publicly owned enterprises. Specifically, the decision makers reached a consensus that it would be a merger. But this issue was raised repeatedly because it did not satisfy the fundamental principles of a pure merger. Instead, it was perceived to be a merger by absorption (that is, a takeover). Another interviewee from the office of strategy management said:

> *"Truly speaking, it was neither a pure merger nor an acquisition but an 'amalgamation'. The government amalgamated CBB with CBE because the preconditions for a merger and an acquisition were not reflected in the entire process from a theoretical point of view" (Expert SM2).*

Another interviewee from the HR office who had been with CBB indicated that it was hard to say that it was a pure merger because it was not two balanced partners having equal negotiation powers who went for strengthening their businesses. It was a capital decision by the owner (that is, the government). CBB had no choice and no power to say no. Given that the owner of the two banks was the Federal Democratic Republic of Ethiopia (FDRE), the banks had to accept the decision. However, prior to the merger decision, CBB’s employees had questions about a capital injection to operate as either a specialty mortgage bank, an agricultural bank, an industry bank, or whatever, that is, strengthening CBB’s banking concentration area was the stand taken and additional budget requests were made to the government by a top management decision in 2014-15. CBB’s top management also tried to engage the government in this respect. Instead, the government decided to merge the two banks.

The construction sector in Ethiopia was booming and the demand for housing was also escalating in both towns and cities. In this respect, it was believed that it was time that banks like CBB became more important than they were before to satisfy the financial demands of the construction sector. But from CBB’s side, given when it was established to do and state, it was underperforming. There was a push both from the management and employees’ side that the bank should expand and enhance its services. Questions were repeatedly raised by CBB employees on why the government did not extend CBB support like it was doing for CBE. CBB’s top management too had this concern. Based on this, the government initiated a study by a team from CBB, PFEA, and others for suggesting a way forward. As a result, there were three proposals and the last option was merging CBB with either CBE or the Development Bank of Ethiopia (DBE).

The first option was a capital injection by the government to enable CBB’s expansion and the second was a share offering to the public in a public-private partnership arrangement. This study was done two years before the merger.

Before the amalgamation decision, some interviewees claimed that according to the information they had from the CBB’s management, three rounds of research were conducted. Firstly, CBB itself submitted a proposal where it requested additional capital. When this was passed over, a study on what the role of public financial institutions should be was done by the Public Financial Enterprises Agency (PFEA). The results outlined who should do what. And if CBB was not performing as such, a resolution for merging it with CBE to avoid duplication of efforts in commercial activities was a third option. An interviewee said:

"Frankly speaking, such issues are very confidential and kept secret by the top management since they have their own implications as well as risks and cannot be decided through discussions with employees. We employees heard about it after the decision for amalgamation was reached" (Expert SM2).

Ideally, the strategic option of granting condominium housing loans to CBB as a capital injection rather than dwelling on the merger did not work either. For example, if we consider a 40-60[16] housing scheme, customers would get a 60 percent bank loan after depositing the remaining 40 percent over a period of time. If the housing projects were given to CBB, they would not materialize unless CBE channeled the initial finance directly via government arrangements or inter-bank loans. A policy direction to support CBB by direct capital injection was suggested by its top management to exploit its experience in the construction business. Otherwise, CBB could not have been able afford to avail finance for such engagements during that time. An interviewee explained:

"If we see the matter broadly, using similar housing finance mechanisms like the condition when CBB was established, such as by using the AID fund, European Union borrowings, and others for smoothening house construction at cheap cost could have been an option" (Expert SM2).

Overall, taking the housing construction responsibility like CBE was difficult for CBB since it is a costly exercise. If it had been a government policy direction, CBB could have been allowed to capitalize more of its retained earnings to strengthen its financial position. But the government had shown no interest in injecting capital in CBB. CBE's requests for capital in the past were answered not by direct capital injections but through allowing other options of raising capital, like selling bonds. One interviewee said:

"What I understood from this is that given the bigger developmental agenda and transformation work of the government as well as burdens like a drought during the same time, expecting capital injection from the government treasury was not a feasible option for CBB" (Manager SM1).

Further, issuance of shares was another proposal put forward by CBB where the government would retain 51 percent of the shares and sell the remaining 49 percent to

[16] It is a condominium housing construction arrangement by the government where individuals save 40 percent of the money required and pay it on an installment basis and CBE gives 60 percent of the amount in loans for addressing the skyrocketing house demand in Addis Ababa (capital city of Ethiopia).

any interested party as an option. Taking all these into account, the option of selling bonds or issuing shares was not accepted by the government and the amalgamation was decided on.

5.3 Absorptive merger/amalgamation (2016)

In a merger, a company's negotiation capacity is typically determined by its capital share. This means, the percentage of capital, assets, and the HR being contributed by a company decides its negotiation powers. In the case of CBE and CBB, the capital share of CBB was roughly 3 percent. One interviewee explained:

> *"In any merger, if you contribute a below 10* percent *capital share, you do not have negotiation powers. For example, you cannot claim the CEO's position. This is not only a standard but also practical experience of mergers. If you have a 70* percent *capital share, you will have very strong negotiation powers in every aspect. So, we should see the merger of CBE and CBB from this perspective" (Expert SM2).*

Considering this discussion, the absorbed entity (CBB) could have a grievance but not the power for counteracting anything that could happen against it. On top of that, the merger was a government decision and CBB could not oppose the government's stand. Thus, no one dared to resist the merger publicly or oppose it directly. In some formal meetings and dialogues, some individuals expressed their worries and argued in front of the top management. Apart from this, there was no major resistance. Expectedly, individuals from the bottom to the top management levels had been working with high commitment to realize the merger/amalgamation effort. This was a rather unusual scenario whereby employees contributed with devotion even as they lost their previous organizational identities. Devotion among CBB's employees to realize the merger while losing their powers, positions, and benefits was a welcome situation which could be cited as exceptional to the merger of CBB and CBE. What happened was contrary to what much M&A literature says. An interviewee attested:

> *"Broadly speaking, we perceive a merger project to be a complex thing. But what I have learnt from the experience of CBB and CBE is that for smoothly cascading a merger process, detailing every activity contributed to its success more than other things" (Controller HR2).*

There was no overt resistance and the merger process was not confrontational. Relative clarity and timely communication of at least the merger decision publicly and CBB's worsening internal conditions acted as a smoothening pacemaker of the amalgamation process.

5.3.1 Amalgamation team formation - *TOR and system integration*

After PFEA announced the absorptive merger/amalgamation decision, the process councils formed teams and a temporary office was established for them; a project plan was crafted to implement the amalgamation. A three-month project was crafted spanning January 1 to March 31, 2016. Immediately, CBB and CBE's top managements discussed how to merge step by step. Then, the management addressed the issues with all employees in two rounds of meetings. An interviewee acknowledged:

> *"I was in the HR team and so my responsibility was maintaining the profiles of CBB's employees as an input for placement decisions. There had been disagreements while accounting for employees' total experience. For example, in CBB if an employee took leave without pay, it was counted in his/her total experience, but in CBE that was not counted" (Manager HR1).*

The concerns and questions raised by employees were answered, and teams were organized unit by unit. A steering committee composed of PFEA, CBE, and CBB members was established, which was chaired by the PFEA director together with board members from CBB and CBE. Thereafter, teams were organized from every unit of the two banks and they were ordered to come up with the terms-of-reference (TOR) for materializing the merger. After the steering committee approved the TOR for every team, the actual work commenced. Every team that was composed of experts from CBB and CBE knew its mandate areas and the distinct roles to be played in the amalgamation process. There were teams working in HR, credit, finance, and all other areas. For instance, in the credit area, the credit team checked balancing credit and identification of non-performing loans (NPLs). The work was efficiently accomplished via a rearrangement of issues by teams at the headquarters and then district by district. The same was done in the HR aspects where interventions during placements were treated level by level. In asset counting, there was no problem since a fixed asset committee was formed for handling it properly. Around 13 teams were established for the merger. Every team was responsible for doing its assigned duty within 90 days and the project office led by CBE's HR director was responsible for coordinating all the teams. All teams reported to the project office regularly. The teams met every week and reported their progress and gave feedback. In terms of system integration, though both banks were using similar systems, they differed in some customized work. CBB had better banking technology since it had a late-mover advantage as compared to CBE. But it returned to CBE's system for alignment purposes.

A great advantage during the merger process was that CBB had been using the banking system TEMENOS (T24), which was like CBE's. Thus, transferring the data from CBB to CBE was easy since both used the same software application system. Regarding continuity or closure of CBB's branches, the matter was mandated to the established teams. For example, in the Dire Dawa district, the district level committee at Dire Dawa was responsible for identifying the value adding strategic locations of branches and assignment of employees. Out of 120 branches, 80 were continued as they were, and the remaining were closed because of duplication with existing CBE branches in the same location.

There was no overt resistance or litigations during the process. There were two grand issues in the process. The first was an institution jointly owned by CBB and CBE, named commercial nominees (CN). It was legally formed by the two banks as a private limited share company since there have to be two or more legal institutions to open a share company as per the commercial code of Ethiopia. A legal question was raised on how to run CN when the two banks merged and became one. Second, the Ethiopian consumers' protection association raised a question expressing suspicions about the merger and its impact on customers. The association questioned the implementation process and how customers' rights would be respected and got answers.

5.3.2 Merger communication platforms - *marginal communication*

This section discusses how the merger decision was communicated as also the information flows during the merger process. It also looks at the platforms of merger communication and regularity of information flows across the managerial hierarchies.

An interviewee said that no one knew about the merger decision beforehand. Some CBB employees were frustrated when they heard about the decision, others had mixed feelings. Some liked the amalgamation since they had lost hope in CBB and feared retrenchments given its deteriorating performance. There is evidence of information asymmetry before the merger. For instance, two days before merging, CBB recruited new employees and at the induction meeting, the top management talked about CBB's independent future. In addition, CBB held a meeting with its customers about the introduction of a core banking system in November 2015; the announcement about the merger happened in December 2015. The customers were called after a month and informed about the merger. This communication created confusion among the customers.

There are advantages of being a small bank as there are advantages of being big. Regarding advantages of smallness, the customers had easy access to the bank and better treatment in CBB, as compared to CBE, as there were fewer customers. It was also easy for CBB staff to develop personal relationships with important customers and spot who were the most valuable ones. This degree of interaction with key customers was perceived to be endangered by the merger.

Subsequently, after the amalgamation decision was reached, an interviewee indicated that enough awareness creation was done at different management levels. High-level and cautious communication was done in this regard. Apart from CBB's efforts, after the merger process was started CBE also started communication platforms focusing on strategy announcements, CBE's culture orientation, and general briefings on the process of merging/amalgamating. Starting from the president of CBE, the management team's members successfully worked out the communication aspects. It is natural and normal to expect the non-participation of employees at lower levels in such amalgamation decisions. In total, awareness creation, process communication, cultural briefings, and building consensus on the objective of the merger were properly executed. An interviewee indicated:

> *"Given his workload, the president of CBE had discussions with middle management and infrequent meetings in case of training with lower level employees earlier. But, while merging, the president had a three-day direct workshop with CBB's employees focusing on the purpose of the amalgamation, what would happen next, and orientation about CBE's strategy and culture" (Manager SM1).*

CBB employees' worries regarding losing seniority, work experience, and benefits were raised and addressed by CBE's president in the orientation workshops. The president assured the employees that the expected benefits for CBE from the merger were not CBB's products, buildings, technologies, and even customers but the experienced HR pool joining CBE.

5.3.3 Hierarchical based passive resistance and employee placements

A sizeable number of CBB's employees took a stand that the merger was killing their organizational identity. However, there was no job insecurity and no reduction of salaries. Yet, many employees coming from CBB who had been at higher positions were demoted. Many lost their comfort zone and positional power. If one looks at the process council's owners (vice presidents) at the top in CBE, no one joined from CBB. There were also job grade differences by one rank between CBE and CBB. A director in CBE is at job grade-17 but grade-16[17] at CBB. The good thing was that the basic salaries of CBB employees were maintained. Since the failure of CBB was attributable mainly to the top management, the top management team lost its positions because of the merger. Besides, there were undeniable career path displacements and positional misplacements of CBB's employees. An interviewee insisted that placement of employees above some grades (that is, job grade-12) was not done in the way it had been earlier. To some extent, this was understandable. For example, both banks had presidents but after the merger only one of them could continue as president. Some employees who had been working in CBB's credit department were reshuffled to HR, procurement, and so on when they joined CBE. They were assigned wherever there was a vacant place in CBE and, thus were disadvantaged in this regard. Such assignments were completely against their career aspirations. This situation disturbed specialization interests among some employees.

Because of these reasons some CBB employees left after the merger, especially those at the 12th job grade and above. Some left then and some are still leaving CBE because of such discomfort. CBB's employees were expected to comply with CBE's structure since they came to it. The career paths of some were disturbed, though great care was taken to align them with their prior experience. CBB's top managers were the most affected in the merger since they lost their top positions and associated allowances. For example, in CBE, managers below the director level had no car allowance while those in CBB did.

Some CBB employees opposed the level of the placements and questioned equality in treatment in open meetings held with CBE president. Some did not buy the government's

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[17] The job grades at CBB and CBE differed by one rank since the job grading was specific to each bank. Job grades refer to hierarchical positions. Irrespective of the difference in one rank between CBB and CBE job grades, the basic salaries remained the same.

idea of dissolving CBB. However, despite such individual reactions, the merger was a relatively successful process. One interviewee said:

> *"The marriage via absorptive merger might have been happy for some and dissatisfying for others. I saw that those CBB employees who were at director, vice president, and president levels were not accommodated in their original positions. But lower level employees were very happy in terms of salary and bright future in their career path development with CBE" (Manager CM1).*

Typically, there was a feeling of abduction among CBB employees after it was taken over by CBE. The workload in CBE was high compared to CBB, since CBB had fewer customers with close links. CBE's employees appeared to be busy all the time while in CBB, employees were only moderately occupied. In breaking this working culture and assimilating it into CBE, a reshuffling of employees was done. For this, the merger teams recommended bringing CBB employees close to CBE's culture via coaching and other approaches. As a strategy during the placements, CBB's employees were distributed across CBE's branches so that they could assimilate its culture. From a job security point of view, joining CBE was good for lower level employees but from a structural hierarchy perspective, CBB had been near its employees. Thus, the passive resistance observed during the merger was mainly location and position specific. CBE tried to fulfill the location preferences of CBB's employees and CBE did not face many complaints here except for a few about being assigned to Addis Ababa from regional districts and the headquarters.

Many CBB employees had been in branches and most branches continued operating as they did previously, except with their name changed to CBE. Thus, the center of problems and resistance was CBB's headquarters and individuals in top posts in the headquarters. An interviewee observed:

> *"What I understood in the process was that after merging, CBE's top management tried its best to accommodate and assign employees to top posts in available openings. Of course, from an individual point of view, you might not have gotten what you aspired for in terms of position" (Officer CM4).*

The reason for the amalgamation was the government's developmental interests and avoiding duplication of efforts, and not a power takeover. For instance, the former president of CBB was transferred to the Development Bank of Ethiopia (DBE) at the vice president's position. The very act of transferring the president to become vice president of DBE indicates that he had a good reputation and was accepted by the government. However, talent identification was not always done properly during the amalgamation, that is, identifying where the key talent pool resided and knowing the talent gap within CBE before the placements. However, one interviewee posited that bankers should be generalists who can perform different jobs if they want to be full-fledged bankers. From the very beginning, the merger required integration. But if the privileges of every employee were to be maintained, the two banks would have to be dissolved and a new one established. Then, placements could have been done starting from scratch using equal criteria for all employees. Obviously, this was not the case here. Another interviewee added:

> *"Let me tell you about my experience, I was employed as accounts clerk and had been serving customers directly. After that I went to the credit unit and seen a unique environment. Then, to branch manager and afterwards to the HRM unit. Further, I was assigned to work in system improvement and customer service, then in property administration and facility. Thereafter, I moved to planning in the office of strategy management" (Manager ME3).*

In general, banking services demand such diverse exposure in different functional areas and this diverse experience is an advantage for individual employees. Placements of CBB employees within CBE could be seen from this generalist approach, which is also supported by BPR for effective cost management.

On the customers' side, there was not much negative reaction except some confusion about how their accounts would be transferred and managed. But customers stopped worrying after they were told to continue in their previous CBB branches without changing their passbooks.[18] In addition, there was an interest rate increment by CBB before the merger to counteract its performance decline. CBB's customers wondered why the lending interest was increased if the bank was going to merge. However, CBE adopted its lowest interest rate which was perceived positively by customers.

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[18] A passbook is a bank book issued by a bank for maintaining a record of transactions. It bears the legal identity of a customer and authorized signature of a bank's official. It is a record keeping book held by the customer. It is also a legal means of knowing the identity of the account holder.

5.3.4 The amalgamation process' management and leadership

Implementing the amalgamation process was first discussed by the council of ministers and then in consultations with PFEA and NBE. The amalgamation process was done by a team of experts including the strategy and change management team, HR team, finance team, credit team, legal team, and the IT team. A steering committee composed of experts from CBE, CBB, and PFEA oversaw matters every two weeks. The steering committee tried to inform or update employees through CBB's quarterly bulletin. An interviewee said:

> *"The merger was a 90-day project. I support making it short. If not, lots of problems would have arisen which might have obscured the merger process. It would have also created idleness in employees and more stress. Thus, shortening it was good. I admire the strength of the merger committee in this regard" (Officer PS1).*

Though the initiative was taken by the government, implementation modalities were discussed by both banks' top management teams. Besides, experts were involved in the actual merger. All team members had visited outlying branches (that is, branches located outside Addis Ababa) to update staff about the merger. Overall, as planned, the merger was accomplished successfully within 90 days. A temporary project office and special teams led by the director of HR in CBE were established for organizing the merger process and the merger happened through process alignment. In the assignment process, an assimilation strategy for all the work units in CBE was stressed on and cultural mixing was easily achieved. The environment and working culture were not that strange to CBB employees when they joined CBE, since both were in the same industry and engaged in similar businesses. In general, there had been a change embracing organizational culture at CBE backed with awareness creation work, ownership of change initiatives, and an understanding of possible common benefits. So, the merger's leadership was believed to be a success at CBE. However, during the process of amalgamation, some gaps were observed, for example:

> *"I thought that the way the merger was implemented was good. My point of difference was on handling employees. It was possible to accommodate the lower levels as well as the CBB's top management employees' interests" (Manager CM1).*

The establishment of a project office, coordination of activities, allocation of resources for the project, and scheduling were done meticulously. But the HR aspect could have received more attention. An interviewee appreciated the solid team work culture and collaboration at CBE's top management and indicated further:

> *"I could say the leadership style was like that of a mentor or a coach. It was not like the traditional management style. At all levels, a supportive style was used. By its very nature, a bank's work is team work. Every service delivery in a bank demands the support of multiple bankers and thus it needs the engagement of team members. Team spirit had already been developed in the bank" (Manager ME3).*

Overall, the leadership style was good as the BPR implementation forced closer integration, and thus smoothened the merger process for the leadership. Besides, managers at the district levels were given power through decentralization. Thus, every manager had a role in supporting employees during the merger. CBE's activities were divided into 15 total districts where four (that is, South, North, East and West) districts are in Addis Ababa and the remaining 11 districts are in regional towns and localities. All the districts had delegated power and similar structuring. Every unit was given measurable goals and a collaborative leadership worked with employees for achieving these goals. If the performance was not up to expectations, action was taken against low performers. The structure at the district level was a district manager under whom were and two managers -- a credit appraisal manager and an operations manager. Under the credit manager there were relationship managers (RMs) like there were credit processing center (CPC) teams in the head office. This structure helped in the realization of the merger project through a collaborative leadership approach.

Regarding leaders' social distance, an interviewee indicated that in the past CBE's top managers were not visible and not near the employees. Now, anyone could have tea and coffee with the top management team members. This led to smooth workflows. But he argued:

> *"I felt that till the level of thinking on employees' side was improved, sometimes being autocratic and a transformational leader are good because when the boss is around, and when he/she leaves you free, the performance can be different in the Ethiopian context" (Officer CM4).*

Along similar lines, another interviewee explained:

> *"There was a conducive environment for team work, but everything was procedural and there was a gap in the HR area starting from the promotional ladder since we observed some weird happenings" (Officer ME1).*

Some interviewees said that the merger was a top-down process, when in principle it should have been bidirectional and participatory. In general, the leadership approach was somewhat questionable since it was inclined impose decisions in a top-down manner. In banks there is team work and bankers are in contact with many individuals and are expected to help each other. Bankers are expected to exert their efforts in serving customers diligently. Such devotion is facilitated through a democratic style of leadership. Another interviewee perceived CBE to be characterized by an enabling leadership style, rather than a kind of *'do what I say'* approach. It was believed that the top managers heard what their subordinates had to say. For instance, the CBE president gave training on the new strategy of the bank to newly joining employees from CBB and also existing ones. Besides, the performance management system (PMS), coined from BSC, controls employees not their bosses. If an employee did not perform as per PMS, he/she did not get training, promotion, bonus, salary increments, and so on. PMS tracks employees' self-management. Thus, the system plays an important role in controlling employees.

Though strategy crafting is a task of the top management, CBE held meetings with all employees at the implementation stage after the strategy formulation was over. However, many bankers would have preferred such open discussion and feedback before the implementation. That is, lower level experts might have been more knowledgeable than top executives regarding certain operations and harnessing a bottom-up approach of strategy crafting may have been beneficial. Since lower level employees are close to their work, they could have provided inputs at the assessment stage before crafting the final strategy for the bank. An interviewee argued that the top management was committed to realizing the bank's strategy, they visited branches, and looked at the lower levels to spot problems and make corrections. The president personally trained branch managers about the bank's strategy to bring everyone to the same page and appeared to be willing to hear the problems encountered at the middle and lower levels.

5.3.5 Identity killing by CBB

An interviewee who was demoted to the expert level after the amalgamation explained that the merger decision was like killing a bank that the country had invested a lot of money in and that had been existed for a long time. He said:

> *"The merger was an identity killing decision because we had been coordinating CBB's 40th year anniversary and for 40 years, it had been a bank that started the idea of mortgage banking and contributed a lot in this regard. Plus, individuals from different countries had experienced it in the past" (Expert SM2).*

In the same vein, an interviewee who was at CBB insisted:

> *"I have had a strong stand that merging the two was the completely wrong decision. Even now, I am happily accepting the merger because CBB was my first employer where I developed a strong identity and developed strong social relationships with employees and customers. So, I would have been happy if CBB had continued as it was and so I dislike the merger. But my mental position was that it had happened, and I could not reverse the decision and thus I should accept it since I must comply with the decision" (Controller HR2).*

In another interviewee's view, the market had been equally open for CBB and CBE and it was up to CBB to work aggressively and perform better. But CBB did not perform as expected. Further, one of the merger teams in HR had conducted a working culture assessment of the two banks and indicated the differences, similarities, and the ways forward for their assimilation. In CBB, everyone knew each other, and their social bonding was familial. Even after the merger, when ex-CBB employees came for work related issues to the headquarters, CBE employees were surprised about the degree of familial interactions among the ex-CBB employees. This was different from the CBE culture. But another interviewee, also from CBB, attested that CBE and CBB's approach to how they did business was different since both had different forms, standards, performance report preparation platforms, etc. Owing to identity loss because of the merger, an interviewee thought that it was relevant to see the advantages and disadvantages of merging the two banks. That is, looking at the implications of running CBB independently and then seeing the advantages and disadvantages of the merger. Given the current demand for housing and construction projects' financing, and the continuity of demand for housing finance, a bank that focused on such a mission and worked diligently could have been an option. He argued:

> *"If you see the Ethiopian diaspora, some came to invest in the real estate business and for financing such businesses. So, a bank that could consolidate and manage such financing efficiently appeared to be crucial and timely. If I were the decision maker, I would have chosen the option of maintaining CBB's identity. Whatever was the cost of such a decision in terms of capital injection or running costs, given future demand, I would have dwelled on such an option" (Manager ME3)*.

Overall, some employees who had been in CBB for many years thought that they had scarified their bone and flesh and invested half their lives, and thus did not feel entirely at ease.

5.3.6 Attitude towards/and perceptions about the merger

Some CBB employees were interested in its continuing as a specialized bank since they had already developed a sense of belonging with the bank. They also felt that they could not comfortably change to the new culture and hence their reactions were not positive. The feeling of newness when CBB was amalgamated with CBE's enormous employee-pool tempted them to react negatively. Those at higher positions found the loss of their perks painful. For example, one interviewee said:

> *"I had been a team leader in CBB but after the merger I was an ordinary expert. Some managers who had car allowances at CBB had these privileges taken away as they became experts in CBE. Those at the lower levels were relatively happy. I was discouraged when CBB was dissolved" (Officer PS2)*.

Some weighed the advantages and disadvantages neutrally. The nature of the jobs was not new at CBE but a feeling of being outsiders led to temporary inconveniencies. Thus, there were both positive and negative feelings. An interviewee stressed:

> *"For example, if you leave a house you are accustomed to, you feel something of an outsider. It was just like that feeling when leaving CBB. Joining a new company and a new work environment combined with a feeling of being a stranger" (Manager CM1)*.

According to an interviewee, CBE's president held a meeting with all CBB employees and heard their worries and complaints to clarify confusion and speculation. It was impossible to totally avoid complaints, but the president did cleverly convince them that their promotions and development would be based on merit, experience, and capability and thus equal treatment would be maintained for all. Because of this, a sense of ownership was instilled in ex-CBB employees. However, some inconveniences were created especially among the top management team. For example, the ex-president of CBB was transferred as a vice president in CBE but he was dissatisfied and left CBE very soon. Overall, some interviewees acknowledged that except minor complaints and dissatisfaction, the merger was a successful exercise.

Some enjoyed the merger and some who bitterly regretted losing their identity. An interviewee from the office of strategy management believed that the absorptive merger questioned the then top management and government's decision. He added that this decision indicated the attitudinal problems and the inabilities of decision makers because Ethiopia needed the opening of new institutions and thus he saw no rationale of reducing or demolishing existing ones. One interviewee said:

> *"In Ethiopia, there was no institution that had stayed for 100 years except Development Bank of Ethiopia in a relative sense. Some might have changed their names or disappeared totally. Thus, there was poor experience of institutional creation, development, and continuity in our country" (Expert SM2).*

This interviewee did not buy the merger decision, since he believed it to be wrong. His perception after the merger was that there had been no change at all. He added:

> *"I knew the consequences and I heard about it a priori since I had been at a top management position at that time and we were expected to take some decisions in advance before announcing them to employees. In general, it was not surprising for me" (Expert SM2).*

A CBB staff member who was shifted to CBE's HR unit stated that the amalgamation was a must. It was not an option for the two banks, was a government order. He explained:

> *"If you ask me personally, all CBB employees were interested in share issuance or capital injection options for expanding the bank's business and nurturing its identity. The merger was not happily accepted by CBB employees" (Officer RD1).*

Similarly, an interviewee indicated that since CBB was small, CBE's employees assumed that CBB's employees were not that vibrant and hard working. But after the merger, CBB's employees were also among CBE's most valuable employees. As commercial banks, there was not much difference in their work cultures; both were also government owned and operating in same industry.

5.4 Post-merger phase*: stabilization, assimilation, and socialization*

This section discusses issues related to the post-implementation phase. To address the '*we'* and '*they'* mentality in CBB CBE employees, CBB's employees (that is, the reassignment to CBE) were placed as per a shuffling. Given that the number of CBB employees was small, they were easily swallowed by CBE's work culture. One interviewee explained that working with a bigger and highly reputable bank like CBE had a value for employees that could not be quantified in monetary terms. Thus, pride could be taken into account despite the differences in employees' personal perceptions. Within a year after merging, the CBB - CBE categorization was almost totally forgotten. The smaller (that is, around 2,000) number of CBB staff were swallowed by the larger (roughly 28,000) CBE staff during that time. It was mainly in the first six months' of the merger that the CBB-CBE grouping was visible. However, there were some groups which were happy and some others which were disappointed. If anyone looked at CBB's employees in the top positions, such as at the president, vice president and director levels, they were disappointed when they were assigned to lower levels. Since the merger was an absorptive one, and given the management space in CBE, they could not be accommodated.

No merger is free of sacrifices. The positive side was that CBE's culture abolished CBB's culture and things went smoothly. CBB's account holders got the same service as they did before, and no dissatisfaction was observed linked to the merger. CBE's top management did a number of things in this regard starting with awareness creation.

Often, a merger fails due to complexities coming from the HR side (Seo & Hill, 2005). According to some interviewees in the business development office, CBE was successful as a bank in managing and stabilizing the merger issues smoothly. In addition, there were development opportunities for ex-CBB employees and thus employees at the lower levels welcomed the amalgamation. The customers too did not complain much about the merger since they were joining a better bank with a bright future, as per some interviewees from the top management. CBB's special customers were taken care of and given the same service which contributed to the ease of quick assimilation. In some branch offices, CBB managers who knew their previous customers personally continued in these branches. But, CBB employees at the expert levels were not placed in the same branch since the aim was disassociating them from the original CBB culture and paving the way for assimilation into CBE's culture. An interviewee from the trade service office said:

> *"Around five ex-CBB employees from TS had joined our department and we could talk equally about the area since we had been using same system. Informally, we heard that their expectations when joining CBE were not met. In the TS area, not that much dissatisfaction was observed" (Manager TS1)*.

In the banking industry, quick socialization was possible due to the team-oriented work culture. After just a short period of time, everyone got accustomed to the new culture. Overall, there were no problems that were beyond control.

5.5 Corporate plasticity: *strategic resource mobilization*

Connected to the strategic metamorphosis and aggressive resource mobilization was CBE's corporate plasticity which was partly achieved by the absorptive merger and branch expansion. The abrupt branching out to many corners of the country and increased CBE's plasticity can be seen from two perspectives as per the views of some interviewees. Firstly, the lowest level of bank accessibility in relation to international standards and secondly, as a government developmental enterprise CBE had to make profits while discharging the government's public objectives at the same time. For example, the government's objective in the banking sector was the provision of banking services to the public and enhancing the savings habit by reaching the unbanked segment. Thus, considering these two governing issues, CBE's reach was very low in terms of banking standards. Besides, if one looks at measures like branch to client ratio, this too was very low. This situation also shows the need for increasing the number of branches in the future.

Further, access to banking in relation to the experience of other countries, for example, the State Bank of India has more than 10,000 branches, was still very low in Ethiopia. In the Ethiopian case, banking is still at an infant stage. Awareness about banking as well as usage levels are very low. Most Ethiopians live in rural areas and have low literacy levels. Thus, it will take time to shift to technological alternatives in the provision of banking services. An interviewee insisted:

> *"Just forget the technology; the habit of banking was at its infant stage. That is why CBE was opening more branches in outlying areas. Customers' awareness was very low. Even the elite groups did not believe in technological aids. Possession was linked to holding the cash in your hand and counting it with your fingers. No one believed in technological banking. I hope this changes with the development levels in the country" (Manager TS1).*

CBE as a bank needed to depend on technological transactions but even in Addis Ababa, its cash transactions were not done using recent technologies. An interviewee stated that when *E-payment* mechanisms reach the level of replacing branches, strategic shifts in technological dependency (that is, use of electronic banking) will be adopted.

The brick and mortar branches might become outdated in the long run. However, Ethiopia has a very low level of banking even by African standards and thus at this stage it is still needs to reach the public via physical branches. Besides, earlier the concentration of private banks was confined to urban and semi-urban areas (Addis Ababa and regional towns). Thus, CBE was expected to do a lot more than what it was doing. Technological usage in urban areas is improving over time and CBE is going to start agent banking and CBE-Birr (a new product). Promoting a savings culture is also possible by expanding accessibility to the public. Currently, people are not in the habit of depositing money in banks for unforeseen events.

CBE does not have only a profit motive, but it also has a social responsibility since it is a public bank. It is expected to contribute to the community at large. Surprisingly, the bank’s assessments show that its branch to population ratio was far below standards. The ratio was especially low for the economically active segment. Ethiopia’s economy is now in trillions of birr, but the amount of money circulating in banks remains low. This means that money remains in the informal sector and probably in the hands of a few individuals. Mobilization of such money and enhancing its healthy flow in the economy is possible through banking the unbanked people. Reaching the unbanked will be possible through opening branches.

Hence, the branches were not opened randomly but to mobilize resources where they were available for supporting development projects in the country and for improving financial inclusion.

Ethiopia is a vast country and in rural areas citizens travel for hundreds of kilometers to get banking services. Therefore, rural branch expansion needed to be pursued aggressively, and could be further strengthened in remote areas. An interviewee insisted:

> *“You will be surprised when I tell you the minimum figure, one branch serves more than 60,000 customers at the current stage. We are far from the world standards. I have reservations about opening branches in every corner of towns and cities since ATMs are just*

> *like a branch in such areas. The strategy needs a re-look at cities and towns" (Manager CM1).*

All the branches that CBE has opened so far are profitable regardless of their location and distance from regional towns. Some branches mobilize more than 30 million birr in a month. Surprisingly, even in branches in Addis which are located within six kilometers of each other, resource mobilization is high. Some interviewees stated that CBE did not know the resource capacity in the country till now. CBE only incurs short term costs while it opens branches and creates awareness among the community. Thereafter, many branches start reaping substantial and consistent profits. But still, in terms of area, there are uncovered zones and woredas (vicinities) even though they have high populations. An interviewee explained:

> *"I see the reachability to be in its infant stage and further expansion is a must to reach the unbanked majority. Plus, from the public interest point of view, branching out is not only for the sake of reachability but also to pave the way for employment opportunities for young fresh graduates. Opening more branches is also associated with expanding employment opportunities for citizens" (Manager SM1).*

The bank's E-payment strategy aims at serving more people and decreasing the branches' load in the future. But this needs time as changes need to be made to ensure reliability of ATM machines and providing the technological infrastructure. CBE's board supports adopting banking technologies. CATS and credit handling have already been automated. The support processes are expected to be automated soon via ERP's adoption. ERP software was bought from ORACLE Company for increasing efficiency of the bank's services. For fraud prevention, biometrics scanning is going to be implemented. There are also several other IT projects going on. For ensuring trust, CBE is using latest world class software and disaster recovery work for fighting cyber attacks. However, an interviewee said:

> *"If I give you one example, the main cause of unemployment in developed nations is automation since technological adoption reduces manpower. I feel that this fact is ignored in our country's information technology mobilization strategy. Given the potential workforce in the country, the government needs to work more on creating employment opportunities, so investing in job displacement information technology is a paradox for me" (Expert SM2).*

Ethiopians' have been using mobile phones for not more than a decade and mobile banking and card banking systems are newer. Besides, the infrastructure at the country level did not allow CBE to move toward technological service provisions. If one looks at ATM usage, only the bank's staff, university students, and some educated customers use ATMs. Because of internet accessibility problems, the penetration rate of mobile and internet banking is not more than 7 percent and most are staff (as indicated by an interviewee from the financial institution's relationship management unit). A shift to banking technologies goes with the development level of a society. Moreover, if one saw Ethiopia just five years ago, it was society that was afraid of banking or saw a bank serving special groups. It was not taken as a tool for all citizens in the past. An interviewee added:

> *"We have to consider the technology adoption level in our country. If you consider some banks like Zemen bank, they have a defined niche market and serve that customer segment and try to achieve their objectives accordingly. But CBE is mass based. We are based on society, encompassing both literate and illiterate, young, middle aged and old people" (Manager PD1).*

Another important issue was the seemingly broader and overarching 2025 world class vision that CBE formulated. CBE sees itself as a world class bank by 2025. An interviewee from the office of strategy management who was one of the strategy developers said:

> *"At its face value, even when I saw it at an initial stage, I thought we were day-dreaming. Literally, one can think that CBE sees itself becoming like CITI Bank, HSBC Bank, or Barclay's Bank by looking at the vision statement. But the facts are otherwise. There is vision translation at CBE" (Officer PS1).*

To clarify CBE's vision statement, a vision translation was done to operationalize the term *'world class'* in terms of resources, customer base, assets, and so on. To validate the vision document, a pool of strategy experts did the vision translation by operationalizing what *'world class'* meant. There are four aspects to this: first, *strong financial soundness;* second, *responsiveness to the stakeholders;* third, *efficient and effective business processes;* and fourth, *disciplined, proficient, and competent employees*. In realizing the vision, the bank's performance is evaluated every five years. Besides, to be world class, there are international standards like Basel I, Basel II, and Basel III that need to be followed. There is a quantified benchmark to be achieved in terms of these operational constructs. The bank is working towards that and if these measures are achieved the bank will eventually reach the level of being a world class banking institution. In terms of the

HR pool, the bank is working towards imparting world class competencies to its employees through HRD programs run by experts from the Frankfurt School of Finance and Management.

An interviewee from the office of strategy management added that there are entities that set the world class criteria. These are based mainly on asset and capital indicators. They use financial measures to give any bank the rank of world class status. Likewise, another interviewee from the M&E office explained that CBE's vision 2025 seemed overarching since the literary meaning of world class could be argued. She emphasized:

> *"CBE has put its vision in terms of BSC's four perspectives. We must see financial soundness, liquidity position, risk management, and HR aspects when we refer to world class status. As far as CBE is defined from such perspectives, I think it is possible to be a world class bank. We should not focus on the word itself. If you see CBE from an international trade angle, it is doing business with all world class banks. We should not limit the vision to East Africa or Africa since we are expected to work with international banks like Commerzbank" (Officer ME1).*

Another interviewee from the M&E office added that it seemed overarching, and it was attainable. CBE's strategy is not only a lip statement, but is practically operationalized at the ground level. For instance, when CBE's strategy developers have financial soundness as one criterion, it means possessing quality assets and a sound book of accounts as well as sustainable profitability. If anyone took the two objectives from CBE's 13 strategic themes: '*sound financial position'* and *'sustainable profitability'*, the initiatives are like keeping the acceptable NPL ratio of below 2.5, which is an internationally accepted standard. CBE had been undercapitalized previously; its capitalization had been around 8 billion birr which was not matched by the bank's assets. Then, CBE's paid up capital was raised to 40 billion birr recently (2015-16). CBE is in the process of implementing IFRS (international financial reporting standards), which means that CBE could be audited by an international audit firm. One interviewee explained:

> *"I am telling you how we are translating the vision to make it operational on the ground. We have initiatives in every spectrum like in financial soundness, business processes, HRD strategy implementation, IFRS, the internal communication process, learning and growth, training and development, performance management, career and succession plans, staff mortgage loans for securing houses, and better salaries" (Expert ME2*).

Another interviewee from the institutional relationship management unit explained that CBE had a HRD strategy with huge investments which is in the implementation phase with the aim to be a world class commercial bank by 2025. He added:

> *"This was made a reality with the help of the Frankfurt School Finance and Management. For instance, succession plan, self-development, and performance management systems were new initiatives in this regard. CBE had procured new software for millions of birr for this purpose. Data warehousing has also started and this was another grand initiative for becoming a world class bank" (Officer FI1).*

Some interviewees from the top management agreed that the move towards achieving world class status was underway. The bank has a program management office (PMO) for managing new initiatives. Additionally, the vision of becoming a world class bank, was well defined and operationalized properly. For instance, one operational indicator is sustainable profitability. This indicator could be further operationalized as a reflection of cash management, asset management, risk management, and financial strength. The other indicator for being a world class bank is the customer base which is directly related to the accessibility of banking services. When the customer base expands, sound sources of funds or residual surplus will be available. These in turn will be used for mobilizing the national economy. Reliable sources of funds will help win customer confidence. Adoption of modern technologies, standards, and best banking practices will contribute to a global state of banking. The adoption of international best practices like credit appraisal practices, investments in HR skills, and competency development are indicators of a world class bank. For example, the credit appraisal practice of CITI Bank and CBE both use a central approval approach. CBE's center of excellence, is the biggest in East Africa and a good leap forward for realizing its world class ambitions. Overall, detailed operational definitions and vision translations were done to clarify what a world class bank means in a contextualized manner. The corporate plasticity aspect has to do with developing new banking products. Interviewees from the product development and management office said:

> *"In our research and policy wing, we have rounded research related to social, economic, and financial matters which is done annually to know the relationship between economic progress, societal awareness, and changes in consumer needs and wants. We also carry out household surveys for developing our products. Besides, we study the international experience since that need will be felt in our country too and we make advance preparations for product*

> *development. We also do brief economic highlights following monthly and quarterly changes in society" (Manager PD1 and Officer PD2).*

The other side of corporate plasticity is increasing the number of employees. The branch expansion in recent years (since 2010) demanded a workforce that fit with this as the workforce requirement when CBE had 220 branches and today when it has more than 1,000 branches is not the same. An interviewee in the M&E office said that the employee pool of the bank before 2010 was roughly 8,000 persons, including those at the clerical level. But after developing the growth strategy via expansion of accessibility, one of the anticipated challenges was HR. That is, when new branches were opened, there was a gap in terms of the employees needed. When it comes to the growth strategy, the bank acknowledged the increase in the number of employees to serve more customers and for unbanked. Given the number of branches that were added, the HR pool was not excessive. CBE also had its own culture of training fresh graduates in its own way rather than trying to acculture senior staff from other organizations. This is the main reason CBE is a big attraction for fresh graduates from universities. In addition, an interviewee from the change management office said that the recruitment policy was not new. He added:

> *"CBE had been hiring fresh graduates selectively from the college of commerce even earlier. Starting from 1998-99, this increased massively. Plus, hiring professionals from other service sectors could affect the working culture of the bank negatively since unsuitable experience from other sectors' working culture would be injected into the bank" (Manager CM1).*

If CBE employs individuals with 20 or 30 years of experience in other bureaucratic organizations, they will not perform as required by the bank. The main objective is acquiring new blood and shaping it in CBE's own way rather than clashing with differently accultured employees coming from other sectors. Besides, the bank has been growing over time and high-level professionals are in demand in universities.

5.6 Strategic role ambiguity/institutional duality

In recent times, CBE inserted its hands into financing every public project in the country as ordered by the government. An interviewee said:

> *"Given CBE's size, enabling it to engage in retail banking and allowing others like DBE to engage in industrial banking and to have specialty banks like IXM (import-export) is good for strategic consistency. If you see the experience of other banks in developed countries,*

multiplicity in their operations is a common phenomenon like engaging in agriculture, industry, housing finance, and import-export" (Expert SM2).

CBE is mixing roles rather than engaging in a specified banking business. Specialization is good, though efficiency could be enhanced. Opening specialty banks for manufacturing, housing, industry, commercial activities, and investments could improve productivity and bring about agility in customer services. So far, CBE is doing well and driving all other banks in Ethiopia. However, this strategic diversion if continued will backfire on CBE's probity. Thus, engaging CBE in the construction and financing of giant projects will make it lose focus on commercial business. An interviewee said:

"What I observe nowadays is that CBE is almost inclined to long term loans. This should not be the case. In the long run, I expect that financing of condominium houses, long term projects, and any other development projects must be segregated and become DBE's mandate" (Manager ME3).

In addition, the need for house financing projects is ever expanding and will demand graduating to other bank options. The merger is a temporary solution. In the future, opening of specialty banks might become the need and be reliant on meticulous investigations to address the ever-changing demand for housing and construction. Connected to this, an interviewee from the trade service office said:

"Well, I have a stand that it would have been better if CBB was given a defined role in the area of housing and construction to handle mortgage duties by some means other than merging. This is justifiable given the escalating demand from the construction industry and the alarming need for housing loans" (Manager TS1).

CBE is financing condominium projects and giving loans for construction. Though CBE had changed the banking industry radically, the challenge will be visible when foreign banks enter the industry and start providing excellent services.

Regarding CBE's institutional mandate, an interviewee from the communication office indicated that CBE does a weekly radio and television program by buying airtime from the Ethiopian Broadcasting Corporation (EBC). The central aim of these radio and television programs is raising financial literacy among society since it is very low in Ethiopia. Let alone the rural areas, even in Addis the level of financial literacy is in its infant stage. According to a World Bank study in Addis Ababa, nearly 75 percent people having some money did not know how to save it and take loans. One can imagine how much higher this figure is be among the rural population. Given the country's low level of financial literacy, branch expansion is a better strategy than focusing on e-banking directly. An interviewee added:

> *"I think the objective of promoting financial inclusion and literacy is given precedence since it is the government's agenda at the national level. Besides, since the owner is the government, we have a public responsibility as a bank" (Manager AC1).*

As a government owned bank, CBE has two missions: being a commercial bank, it engages in commercial activities, but as a government bank it also has the responsibility of supporting the development endeavors of the country. It is expected to strike a balance between these two. Private banks have one straightforward objective. They pursue business growth at any cost regardless of public interest. CBE opens branches in remote rural areas like Somali and Afar regions not only for profits. Therefore, the top management does not focus on branch level profits or losses but considers these at the corporate aggregate level. Branch level profits and losses off-set each other. Corporate level resource mobilization capacity is given priority rather than short term profits. One interviewee underlined that CBE has a core value of corporate citizenship which is directly linked to corporate social responsibility. For example, starting from financing the grand renaissance dam of Ethiopia, supporting Ethio Telecom, housing projects, hydro power projects, METECH projects, financing fuel imports, wheat for drought affected areas, sugar, oil, and medicines is all shouldered by CBE. In the end, the public will be the beneficiary. As a simple analogy, CBE is a two-edged sword because as a business enterprise, it is making profits and as a government enterprise, it is responsible for playing the developmental roles mentioned earlier. The precedence given to a role depends on the need. If, for example, an urgent need arises, the government interferes in the bank and places orders as its owner.

Owing to the issue of capitalization, it is evident that the previous trend was that capitalization of its earnings was not permitted. As a bank, CBE did not sit idle and instead it had its own capital plan as per the views of some interviewees. Capital is not a stable thing and needs improvements to meet expanding capacity. Nowadays, CBE has a capital vision aligned with the five-year strategic plans. The percentage to be retained by CBE depends on the decision of the board since it is a government owned bank. The bank is planning to increase its capital position almost by five-fold soon. This capitalization proposal was submitted to the government and within five years, the capitalization of the bank is expected to be above 40 billion birr. The bank is moving in a well-planned manner and knows when to inject capital and determining the single borrower limit approval.

Besides, the board welcomes every initiative and action for the transformation of the bank, and thus no much bureaucratic hassle exists. An interviewee said:

> *"In the board, I see a pool of politicians and not those having expertise. I think if it was supported by experts, it would be better. The members focus more on politics and not on business. At least, the board members at CBE should be able to read and know the business environment in relative terms" (Officer PS2).*

The board ought to comprise of experts otherwise an automatic endorsement of what the president or the board chair presents will prevail without much professional analysis. The problem at CBB before the merger was direct endorsement of decisions by its board members without professional criticism. The board's composition is questionable since the decisions reached by CBE's management are frequently accepted by them without critical arguments. On the positive side, the board is always on board to support CBE's management team. There is also a smooth relationship between the board and the top management at CBE.

Overall, stakeholders have been supportive of CBE's development after the merger. The enormous growth of the bank as compared to before the merger is evident. The bank has become a leading bank in Ethiopia. All other commercial banks are following CBE's '*yikotibu yishelemu'* (that is, the *save and win*) strategy. Also, a door-to-door resource mobilization and marketing strategy was implemented by CBE, and other banks are imitating this too. Thus, CBE is spreading best practices to other banks and improving the industry actors for the better. As evidence, the idea of the 40-60 housing project scheme for the middle-income class was sourced from the lower levels at CBE. Quite recently, there was a security problem and unemployment too increased in Ethiopia. Based on the government's assessment, a 10 billion birr credit for the youth was proposed. CBE was responsible for implementing this scheme together with other government structures starting from the kebele level so that eligible people could avail the fund in line with the requirements set forth.

5.7 A Within-case discussion and the lessons learnt

This section presents a within-case discussion of the merger of CBB with CBE case and the lessons learnt to prepare for the comprehensive cross-case discussion in Chapter 6.

5.7.1 Strategic change and developmental orientation

Zhang and Rasiah (2015:23) conceptualized a developmental oriented state as, "a phenomenon associated with state-led macroeconomic planning in which the state uses its autonomous political power to coordinate social relations targeted at stimulating rapid economic growth and structural change." The developmental capacity building efforts at the country level were followed by successful strategic changes in the financial sector in Ethiopia. Thus, the precursor to creating a strong financial institution via consolidation of CBB and CBE was this developmental oriented stance of the Ethiopian government. According to Chang (2010:82), "a developmental state is one that derives political legitimacy from its record in economic development." Here, the government's aim is getting political acceptance by way of diverting into a series of reform programs of which the merger is one. The government's intervention in Ethiopia's economic system, especially in the financial industry, is thus obvious. The government's intervention is also not uncommon in developed economies where bailout decisions and associated accords such as Basel I, II, and III accords can be mentioned. An interviewee said:

> *"There were financial reforms implemented by the government, BPR was implemented, and subsequently, other changes were introduced in the bank including technological changes, strategic changes, structural changes, and so on" (Expert SM2).*

Because of such strategic changes, the bank's nickname changed from *'the giant and sluggish'* to *'the giant and agile'*. Besides, the workforce is now composed of energetic and young university graduates who are flexible and fast to deliver services. There are challenges related to company size; this is common to other large banks too. From the perspective of strategic change, bankers are witnessing positive contributions by the bank. Strategic change at CBE was linked to changes in the industry and government's reform initiatives such as the growth and transformation plans. This is in line with Beeson's (2004: 30) argument, "[a] plan rational or DS was one that was determined to influence the direction and pace of economic development by directly intervening in the development process." In addition, CBE made significant moves in its strategic management, including in thinking, planning, formulating, and implementing it to achieve its world class vision by 2025. The strategic consensus among the top management's members can be seen as a major driving force for the bank. Similarly, when CBE formulated its vision and mission, it was clear that it had a commercial and a developmental orientation. While working at becoming a world class commercial bank, it is also honoring its developmental role. However, one interviewee argued:

> *"I personally believe that the developmental role is emphasized more than its commercial role. The government is bringing every responsibility to CBE. Employees are always questioning its direction. But the usual answer is that CBE has a developmental national responsibility, not only a profit motive. There is role conflict. I fear the risk of losing experienced bankers to other private commercial banks as they will be attracted by special benefits if CBE's developmental role continues to be overemphasized and if employees do not share the benefits from the additional profits that CBE will get in the future" (Officer ME1).*

As a direction for the future, the bank's management is starting to withdraw from such an orientation. But the government is still forwarding emergent demands such as foreign currency provision for importing sugar, wheat, oil, etc., to stabilize the economy. CBE is shouldering much of this demand when there is a shortage. In addition to emergent demands, CBE is financing the dam, hydropower, housing, and construction sectors as well as sugar projects. The government expects support from the financial sector for achieving its GTPs and wants to create a strong financial system in the country. Thus, merging CBB and CBE was seen as a way of discharging the financial sector responsibility of the government in line with a developmental state logic. CBE has contributed a lot to the national development agenda as a public bank and has played its role in national development efforts.

Merging CBB with CBE enabled CBE to finance the construction sector in a better way than what CBB had accomplished on its own. CBE gives finance for construction, international trade, export, agriculture, etc., without industry specialization. Thus, the disappearance of CBB from the market did not mean a stop in the financing of the construction business. The enormous expansion of CBE seem somewhat unusual, but based on the government's direction and the bank's idle cash reserves, aggressive resource mobilization was taken up as a new strategy. Reaching the unbanked society and getting this money to the bank's circulation was on top of the agenda. There was a pronounced change in strategy at the bank. Earlier, a credit focused strategy was pursued, but with many non-performing loans (NPLs). Then, resource mobilization came into focus. Managers' performance was evaluated based on the amount of credit that they had given to customers in the past. Currently, the overall emphasis is on reaching the unbanked and collecting cash, which had not been encouraged in the past. In recent times, the bank also has an ambition of becoming big and still dealing with its national responsibilities. So, it badly needs resources for this. Besides, investments in HRD, training, and technology demand large investments, again requiring resource mobilization.

As a government owned bank, CBE derives its strategy from the GTPs. When the government decides on projects or activities, the financing responsibility is directed to CBE. CBE has been responsible for financing various mega projects connected to the growth and transformation plans. For availing finance for big national initiatives, massive expansion and strategic change at CBE was seen as the solution. An interviewee explained:

> *"CBE is reaching every woreda and village for improving the savings habit among citizens to contribute to the country's development agenda. In the past, lots of money in rural areas was lost because it was eaten by moles and rats or destroyed in fires. NBE knows the money printed and in circulation" (Officer CM4).*

Investments in technology adoption were considered for expanding reachability. In comparative terms, the strategy followed by CBE entertained both objectives (that is, serving citizens and making profits) equally. One can see this in the dramatic improvements in performance recorded by CBE in the past decade. CBE's strategy has achieved a range of practical achievements to date. Plus, CBE had its own publicly enshrined values for winning public confidence. Banking is all about trust and CBE had earned that public trust.

Linked to the developmental state political economy, grand changes were initiated by the political commitment of the government through appointing a powerful board of directors for giant public corporations in Ethiopia as a developmental direction. However, as its name implies, CBE is a commercial bank and some people question its engagement in developmental activities. If one also looks at CBE's vision and mission, they gave precedence to supporting governmental projects since its owner is the government. Thus, supporting the government is its core responsibility, unlike fulfilling shareholders' interests of profit maximization like in a private bank. An interviewee acknowledged:

"Whether we like it or not, we must satisfy our main stakeholders who are the owner (government), creditors, and depositors. Balancing the government's interest is the grand pillar. As a bank, we think that we can execute developmental responsibilities and our corporate responsibilities for achieving our vision. As an institution, we have not faced a problem in this regard" (Expert ME2).

Nevertheless, many interviewees' worries are that CBE might lose focus of its commercial track by focusing on the government's developmental agenda. However, one interviewee said:

"Given the level of development in Ethiopia, giving priority to the national development agenda is a must for me. Ethiopia is still agriculture based and its economic structure has not changed. Alignment with government policy is a must for all institutions in the country. Finance is a must for changing the structure of the economy from agrarian to manufacturing. I do not have a problem with the current interventions by the government so long as there are high public investments in the country" (Officer CM3).

CBE opened branches in areas that were not profitable in the short-term to reach the public and its rate of interest on loans is the lowest next to DBE so that these can benefit society. For example, in the export sector, the interest rate is 7.5 percent p.a. to encourage investments. The local investors' financial capacity is very small and the 30 percent equity requirement when giving credit is hard for some to meet and thus, CBE is granting loans by taking the highest possible risk as special support to investors.

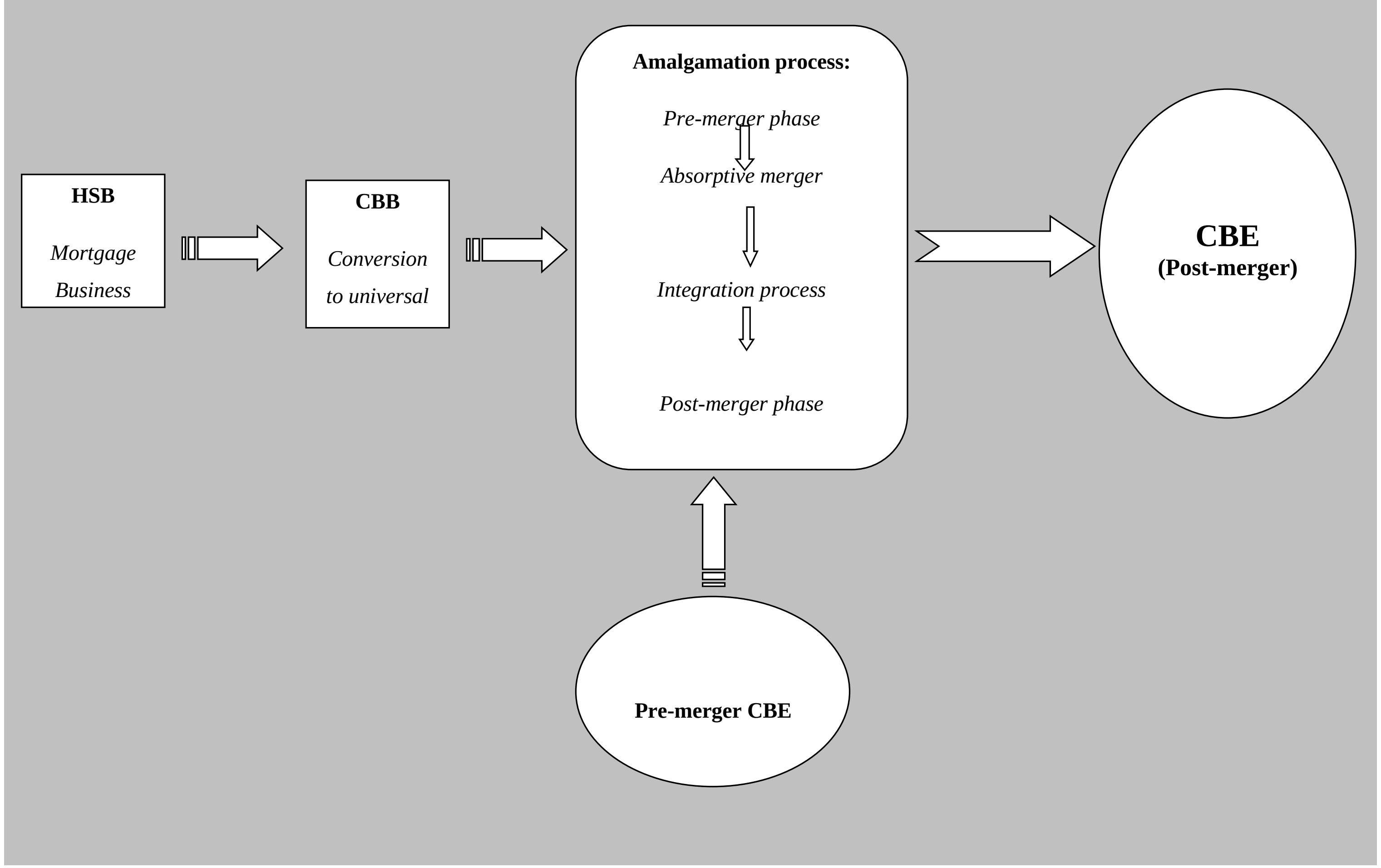
5.7.2 The merger process

A graphic portrayal of the merger between CBE and CBB is given in Figure 5.1to illustrate the entire merger process. The amalgamation process is categorized into the pre-merger phase, the absorptive merger phase, the integration process phase, and the post-merger phase.

As the figure shows, the mission of establishment for the then swallowed bank (CBB) had been provision of housing and construction banking services with a mortgage specialty arrangement by the name of Housing and Saving Bank (HSB). The root cause for the merger was CBB's strategic conversion to universal banking in 1994, leaving its prior specialization in the mortgage business. This was a turning point as its strategic reorientation to the commercial banking business went wrong. More recent antecedents, like developmental interventions, shifts in banking technology, and a decline in performance were immediate causes for the absorptive merger. Thus, the strategic conversion to universal banking by CBB led it to offer commercial services which subsequently led to another strategy change – its merger with CBE. The shift to universal banking gave rise to duplication of mandates with CBE since both were owned by the government. Put simply, a wrong strategic change to universal banking ended up with CBB's closure through its absorption by CBE.

The absorptive merger was executed in three months by establishing teams composed of taskforces from CBB and CBE. For coordination, a steering committee chaired by PFEA was established. All task forces reported to the steering committee and the amalgamation was done in a timely manner. CBB employees' placements were carried out through dispersed reshuffling to facilitate cultural assimilation into CBE. Overall, apart from passive hierarchical based resistance, the integration process was cascaded in a fruitful manner by PFEA, CBB, and CBE's collaborative efforts.

Figure 5.1: Graphic display of merger between CBE & CBB



5.7.3 Outcome and strategic implications

There was a pronounced and visible strategic change since 2010 at CBE. Before that, savings had been discouraged in fear of interest rate accruals. This strategy imitated developed nations' practice of encouraging consumption. But Ethiopia's state is at lower level of development and thus savings should be encouraged. If one compares CBE's assets before 2010, these were roughly 56 billion birr while currently these are more than 495.4 billion birr, making it evident that the strategic shift brought about meaningful outcomes. It is evident that before the strategic change, CBE's customer service had been very poor, it was not customer focused, or standardized and was traditional rather than being modern. After BPR, the structure became process based, the service quality improved, service time shortened, standards were in place, and end-to-end workflow alignments were achieved. These changes were visible in terms of cutting bureaucratic chains, improving customer satisfaction, flexibility, and agility through a one-window service. In addition, the technology, products, and services were improved radically. CBE adopted technologies for a segmented customer base and launched a variety of products and services. In terms of HRD, a lot was done to balance the HR pool with business growth and the bank's vision. Overall, the *'think big'* culture was evident in CBE. The radical changes in the asset base, deposit mobilization, and number of customers were a result of this 'thinking big'.

Moreover, the successful implementation of a merger in Ethiopian banks was a great lesson for the business community in general. There was no visible direct impact of the merger on private banks. Achieving the merger was a great lesson for banking and non-banking institutions. It helped reduce the fear of merging among private banks in the future. NBE's direction was towards consolidation of banks by raising their paid-up capital. In the future, those private banks that do not meet capitalization requirements will have to merge whether they like it or not. This merging will be mandatory as a government direction for strengthening the banking industry. However, it might not be as easy as the current merger between CBE and CBB since shareholders could have different interests.

It is helpful to see some indicators on the impact and strategic imperatives of the merger. In terms of market share, not that much impact was observed in the banking industry since CBE had roughly 40–60 percent of the market share. CBB had a 4 billion birr capital in reserve during the merger, when even the biggest private banks did not have more than this amount. So, the 4 billion birr was a substantial amount in a relative sense during that time. The lion's share of the market in the banking industry was with CBE. One interviewee said:

> *"When CBB was absorbed by CBE, it assumed an almost monopolistic role. This will make it challenging for private banks to compete with CBE. Besides, it might be a good lesson for the private banks to merge and become strong private competitors in the industry rather than operating in a fragmented fashion" (Manager CM1).*

In fact, the merger brought experienced HR to CBE, more than 100 branches, physical offices, and some assets. All these had some incremental impact but taking the overall size of CBE into account, this contribution was almost insignificant. Thus, the impact on its market share was not very pronounced. However, an implicit implication was that there will be anticipated mergers in the future given the financial capacity of private banks in Ethiopia.

Ethiopia is also progressing well with WTO's accession which might be completed within the coming five to six years. The government is working proactively in this regard. For this, the government wants institutions to be strong in terms of capital and HR since they are expected to withstand future competition from multinationals. From this perspective, if private banks do not capacitate themselves as expected by the government, mergers will be their likely fate.

Chapter 6: Discussion

This chapter covers a theoretically anchored discussion of the strategic change processes presented in the two previous chapters. The central focus of the analysis is *'how strategic change unfolds in a developmental state context.'* The chapter studies the content-process-context elements and applies an organizational justice perspective which has 'distributive, procedural, and interactional' justice dimensions. It also empirically shows the contextuality of strategic change to help bridge the gap in the applicability of strategic change models developed in western contexts. In addition, relying on empirical and theoretical contexts, it gives a strategic change model that is workable for a developmental state context to advance our understanding of strategic change. The discussion begins by outlining the critical findings of both the case studies (Ethio Telecom and CBE) to draw on the theoretical underpinnings that combine the empirical and the theoretical construct of strategic change based on a critical realist stance.

6.1 The context of transformation and amalgamation – ***The context dimension***

The context dimension of strategic change basically relates to answering *'why'* and *'where'* questions (Pettigrew, 1987). 'Why' and 'where' of a change matter and make a difference. For this, considering matters from the government's perspective, the legal framework, and the overall national agenda is necessary. The contextuality of the transformation in ETC and the amalgamation of CBB with CBE are linked to the developmental state orientation of the Ethiopian government. Zhang and Rasiah (2015:23) argue, "we refer to the developmental state as a phenomenon associated with state-led macroeconomic planning in which the state uses its autonomous political power to coordinate social relations targeted at stimulating rapid economic growth and structural change."

Since politically the government's interventions prevail, this necessitates a critical scrutiny of organizational justice as a necessary precondition while engaging in a strategic change. This relates to the intangible dimension of context when a change is happening (Pye & Pettigrew, 2005). According to Beeson (2004:30), "[o]ne of the key elements of a DS - and an essential prerequisite for managing the developmental process - is the existence of a 'pilot agency'." A 'pilot agency' is a showcase for managing and implementing development initiatives. However, in the Ethiopian context, strategic changes were introduced in two public development enterprises (ETC and CBE) without establishing a ‘pilot agency’ for any successful learning effect. Further, in terms of organizational culture, both CBE and ETC had been characterized by stability and strategic complacency, instead of being proactive. So, the absence of some practical modalities for realizing the developmental objectives gave rise to procedural, distributive, and interactional injustice during the implementation of strategic changes in these two development enterprises (Cropanzano et al., 2007). Besides, realizing the developmental state’s mission and its objectives demanded, “extensive, relatively efficient bureaucracies, staffed by the nation’s brightest and best” (Beeson, 2004: 30). This is a lesson that can be learnt from the successful North East Asian developmental states (Beeson, 2004; Chen, 2011; Zhang & Rasiah, 2015). However, the strategic change implementers in Ethiopia’s developmental efforts were believed to be part of the cadres which had the highest political commitment and ethnic orientation. This situation led to concerns about justice while cascading procedures in the strategic change process.

Theoretically, “the key to an effective DS is state capacity, or the ability to formulate and implement developmental policies. For a state to achieve such an outcome, it not only needs a competent bureaucracy, it also needs an effective relationship with the domestic business class that will inevitably be at the centre of any successful developmental initiatives” (Beeson, 2004:33). The Ethiopian government appears to have lacked the ability to form elite strategic change agents (that is, ‘competent bureaucrats’), as seen in the experiences of many developmental states because of its emphasis on an ethnic ideology. In addition, potentially educated and competent individuals are believed to be obstacles in the state dominated bureaucracy and thus are not taken into consideration in different development interventions except for a few ethnically affiliated ones. This selective bureaucratic inclusion is best explained by Beeson (2004:34) as, “the institutionalization of the DS may be an essential determinant of its initial effectiveness, but when relationships become too cozy, or insufficiently autonomous, then the dangers of collusion, corruption and nontransparency are all too real.”

The process of strategic change in the two development enterprises in Ethiopia’s developmental state context was complicated because of lack of transparency and a non-participatory style of implementation. This also partly lends itself to the ethnic-oriented domination of the developmental structures orchestrated by the government as a means of sustaining political power via economic justifications. This can be seen in the experiences of South East Asian states as well. Beeson (2004:36) acknowledges the case of South East Asian states that, “the possibility of achieving the sort of embedded autonomy that characterized the pioneering Northeast Asian states is made significantly more difficult by the complex patterns of social and ethnic relations that are found across much of the region.” Similar ethnic-affiliated thinking endangered most of the development initiatives in Ethiopia’s developmental state trials.

Connected to the developmental orientation in Ethiopia, there was also change in its business culture and technology after the banking industry was deregulated in 1994 and there were further liberalization efforts in other sectors. Any technological change directly impacts the economic, social, and political spheres of a nation. Contextually, the social, political, and economic situation in Ethiopia and in other countries is not similar. This ‘political and organizational culture rooting’ of strategy is important for a strategic change analysis in its time and space dimensions since there is no universal recipe for change (Pettigrew, 1987). Ethio Telecom and CBE’s strategies were derived from the government’s growth aspiration plans (that is, GTP I and GTP II).

The other contextual distinctiveness is the regulatory nature of the banking industry and the monopolistic model of the telecom sector in Ethiopia. Strict regulations of the banking industry in Ethiopia had brought about a disciplined financial system in the nation. The regulations did not constrain innovation and strategic moves. Since the effect of a bank’s performance is important for the other sectors, if it is not monitored well by a strict regulatory body the result could be devastating for the country. In Ethio Telecom’s case, being a monopolistic telecom company in the country should not have led to strategic complacency if a standard framework was maintained. Besides, being a monopoly could lead to default profit making because of non-existent competitors. However, most expansion throughout the country, especially in rural areas including *‘woreda-net’*[19] and *‘school-net’* was done at substantial costs since ET also had a developmental orientation.

The argument for not liberalizing the sectors hinged on the fact that private operators may not invest in remote rural areas where the infrastructure was needed. On the contrary, “the effects of state ownership are subject to two interpretations. One view

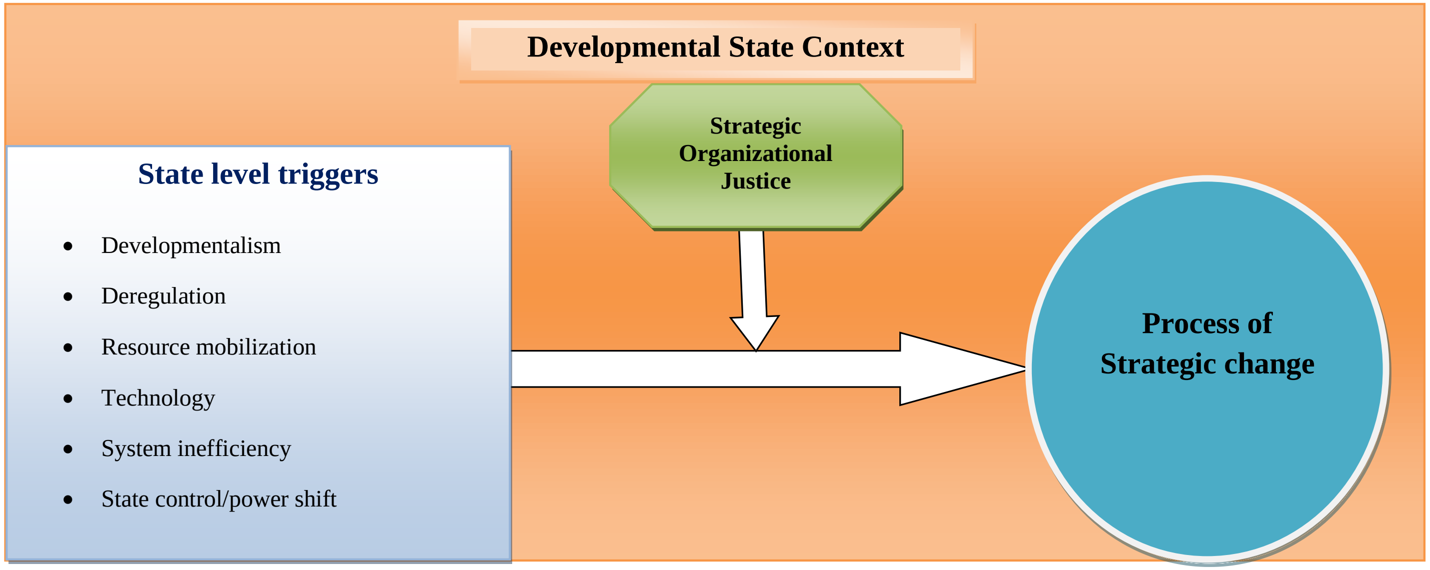
[19] Woreda-net and school-net are rural telecom connectivity schemes to enhance technology usage in some rural areas and far away schools for ease of access to information. These are telecom access expansion trials by ETC.

suggests that state ownership damages corporate value because government intervention would slow down a firm's decision-making processes in an increasingly competitive environment. The contrary view argues that SOEs are more likely to receive preferential treatment from the government, thereby enhancing their value" (Du & Boateng, 2015: 432; also see, Blanchard & Shleifer, 2001).

Figure 6.1 depicts the proposed central role of strategic organizational justice in implementing strategic change given the contextual embeddedness in a developmental state. As already explained in Chapters 4 and 5, the major triggers for strategic changes in the cases included a developmental state ideology; deregulation and liberalization of the respective industries; aggressive resource mobilization and expansion moves by CBE and Ethio Telecom; shifts in banking and telecom technology; persisting internal organizational problems; and the grand hidden agenda of state power deepening in the giant public corporations in the country. In transforming a telecom company, "the decisions should be based on the assessment of the country specific situation and carried out on the case-by-case basis" (Markova, 2008:199).

Figure 6.1 also shows that the state level triggers concentrated on technical justifications rather than incorporating factors for the mutual benefits of all ethnic groups and mobilization of citizens towards the country's developmental agenda. "A developmental state, by theory, is expected to pursue the state's maximum national development" (Chen, 2011: 40). In Ethiopia's case, the developmental orientation was believed to be a pretext for bringing about strategic change. It was also considered as an implicit tool for strengthening state power through placements and centralization seen in particular in Ethio Telecom. According to Chen (2011: 41-42), "any state that wants to be 'developmental' needs to focus more intensely on people and their skills, instead of on machines and their owners. Therefore, the inclusion of various social groups into the decision-making process in order to provide more services appears very crucial in pursuing the new form of development." The slogan of 'developmentalism,' contests whether CBE and Ethio Telecom were living up to their names. For instance, CBE emphasized creating awareness about the bank's financial inclusion strategy and educating the public for a financial literacy campaign at the national level.

Figure 6.1: Model showing the role of organizational justice in the strategic change process



Educating the people about the importance of savings was CBE's responsibility together with the developmental partners found at the kebele, woreda, and zonal levels. That is, the developmental ambition of the government triggered the branching out directive applicable to all banks in the country.

The responsibility of collecting the money that was not in circulation for a healthy economy was also given to CBE which it could do by reaching the unbanked in rural areas. The strategy of resource mobilization could become a reality by educating society about banking and savings. Currently, the country is on a developmental path and finance is very crucial for achieving its objectives. This role is being played by CBE. However, a risk in the near future is that CBE will lose sight of its commercial role by focusing largely on the developmental agenda. This role ambiguity seems to arise from the fact that CBE's top management's decision-making powers are bound to the country's development agenda. According to Pettigrew (1987: 84), "awareness of power resources, possession of power resources, control of power resources and tactical use of power resources," is very crucial for managing strategic change. Here the issue of organizational justice in terms of 'distributive', 'procedural', and 'interactional' aspects, is crucial for successfully managing strategic changes in the bank. Justice in the distribution of power resources (for example, assignments to top posts) while amalgamating CBB with CBE; participation in the process of change decisions; and instilling information symmetry via genuine 'interpersonal treatment' and 'social accounts' is very vital (Beugr, 2002; Bies, 1987; Cropanzano & Greenberg, 1997; Tyler & Bies, 1990). This will give rise to a sense of self-worth and identification with an organization (Brockner et al., 1992). In sum, the presence or absence of organizational justice led to a strategic dividing line in bringing about strategic amalgamation of the banks (that is, CBE and CBB). Campbell and Finch (2004), stress the importance of *'voice effects'* (feeling of process control) and *'choice effects'* (decision control) in a strategic change process to bring about a just strategic change. I propose that embedded in a developmental state context, the presence of strategic organizational justice will strongly moderate the relationship between triggers of state level strategic change and the process of enacting strategic change as shown in Figure 6.1.

6.1.1 Strategic role ambiguity/Institutional duality

CBE and Ethio Telecom are mandated to discharge developmental responsibilities and making a profit. This dual responsibility makes it difficult for them to have a prime focus

(Miller et al., 2000). Besides, the business orientation at Ethio Telecom was obscured by its monopolistic nature. ETC had been a monopoly and ET had also strengthened this monopoly power, as the transformation had further strengthened its monopolistic stand instead of reorienting the company towards a purer business set-up. For instance, Ethio Telecom had financed the Ethiopian mini metropolitan railway and other public projects. However, employees as internal stakeholders were confused whether they should be delivering telecom services or paying military and other salaries for the government. Employees as internal stakeholders claimed that Ethio Telecom's focus could have been on investing in technologies and developing the telecom company rather than being a government cash-cow. The lack of focus on the telecom business was criticized because Ethio Telecom finances the government's different projects like CBE. ETC had been employee oriented but ET was not (it was customer as well as government oriented). In earlier times, ETC had been a leader in terms of employee benefits, but now this was reversed as can be seen in the empirical study. Paradoxically, the strategic precedence dilemma of a *customer versus finance perspective* persisted though Ethio Telecom had implemented BSC as a strategic performance management and control tool in the near past.

Regarding CBE and CBB's absorptive merger, a strategic reorientation towards universal banking meant that CBB had reached a point where it was ready to close down and it was absorbed by CBE due to institutional duplication and conflict of mandate areas by these banks which had the same owner (that is, the government). HSB's interest in mortgage and housing specialization was stopped because of the government's developmental interests while demand for housing and construction was skyrocketing at the same time. Thus, the change from HSB to CBB was against environmental contingencies (Rajagopalan & Spreitzer, 1996).

CBE as a government bank has a corporate citizenship responsibility to educate the people about saving and banking services. It also shoulders employment creation and economic stability roles. Besides, CBE's societal engagements like financing railway projects, road construction projects, housing projects, and massive branching out to rural areas are also comprehensive. This is not an issue with the bank alone, as the government as an owner did not identify institutions that it considered relevant so it could make them focus and excel in these areas. If CBE continues this diversified role-playing, it will risk losing its strategic focus on a commercial business and will put its long-term survival in question. A strategic solution could be for the government to think about forming a specialty bank, since the absorptive merger had initially been proposed to be a temporary solution.

In terms of strategic emphasis, CBE appears to be losing its commercial direction, since its focus is more towards discharging the nation's developmental goals and agenda. It covers the financial needs of the country's developmental projects including importing oil and sugar and financing construction, housing, sugar, railway, and road projects. As a result, there seems to be a confused institutional duality (Birkinshaw et al., 2016). Even when employees asked for pay increases comparable to the labor market in the industry, this was denied with the excuse that it was a developmentally oriented commercial bank.

Concerning autonomy, when the bank's top management team submitted a structural, strategic, or technology change proposal, the board positively welcomed every decision that was for the betterment of the bank. The country's economy depends on CBE and thus the bank was also a focus area of the government as also of its board. The board members acted as a catalyst in the bank's growth. But in Ethio Telecom, everything appeared to be imposed by the board as a political decision rather than hearing the ideas of the top management. In both the cases, the board members are political appointees and their expert power to work strategically is highly questioned in the organizations. This is similar to the experience of the South East Asian developmental states, that is, "Southeast Asia's aspiring DSs amounted to little more than 'protection rings' designed to shore up particularistic economic and political interests" (Beeson, 2004:36). Kahn et al. (1964) acknowledge that the presence of conflicting and incompatible governmental and organizational demands will ultimately create irreconcilable pressures leading to ambiguity in their strategic roles.

6.2 Transforming and amalgamating – *The content dimension*

An in-depth understanding of the strategic change processes in Ethio Telecom and the absorptive merger of CBB and CBE rests on a background analysis for explaining the cause-effect interdependencies. ETC was a monopolistic telecom service provider in Ethiopia with more than a century old presence in the country. It was also used as unemployment relief by the government since it hired a large number of employees regardless of telecom service quality and carrying capacity. In a similar fashion, CBB and CBE were two big government owned banks with a 40 and 75 year presence in the banking industry in the country respectively.

Because of the strategic changes in Ethio Telecom and CBE, there are new business models, hierarchical cuttings, infusion of new working practices, and a shift from technically oriented and risk-averse cultures to customer-centric developmental state enterprises. That is, strategic change was not a simple restructuring and alteration of business processes, but it also required a reorientation in the organization's cognitive dimension and culture (Barr et al., 1998). Many authors of strategic change (be it radical transformation or mergers) acknowledge that antecedents for strategic change mainly take the form of liberalization, deregulation, technological innovations, stiffening competition, changes in corporate behavior, disintermediation, and cultural changes (for example, Hawkins & Mihaljek, 2001; Edwards et al., 2013; Zuniga–Vicente et al., 2005; Rajagopalan & Spreitzer, 1996; Van de Ven & Scott, 1995; Tsoukas & Papoulias, 2005).

Major surface level antecedents as empirically evidenced in the case corporations include a long bureaucratic process, poor system integration and backward technology, loss of focus on the mission and vision, and a decline in performance. In ETC's case, the organizational management capacity was inadequate for the expansion projects as evidenced in its next generation network and telecom expansion program efforts. The ETC era had been characterized by the emergence of some well-informed customers who had better knowledge and were more demanding than its employees in terms of service packages and technology. ETC appeared to be like a *broken boat floating on the sea carrying more than its load capacity.* The economic role that telecom operations play in a country's development is unquestionable. Telecom service penetration has a multiplier effect in a nation's economy (Markova, 2008; Saunders et al., 1994; Vogelsang, 2003). The reasons for telecom expansion are not only economic but also for fostering social development and facilitating the role of the government (Chen, 2011). In this regard, Ethiopia is far behind other telecom operators in the world. Till today, in Ethiopia broadband reach is very low and the 3G utilization is not at a desirable level which can support the lives of citizens and businesses.

A macro perspective justifies the rationale for engaging in ETC's transformation. The expected cross-subsidy and monetary injection from the telecom revenue generated to the nation's economy was meager. Thus, the level of unrealized expected support to be given to other sectors of the economy could also be interpreted as a precursor of the strategic changes in developmental state-run businesses. Along similar lines, in the case of the absorptive merger of CBB with CBE, the main underlying reason for the strategic change was the duplication of institutional mandates in CBE and CBB. The decision for the merger was initiated by the government and not by the banks themselves. The reason for amalgamating the two was in the government's developmental interests. This claim is in line with the developmental state logic whereby the government induced growth and transformation plans with the aim of building a legacy that was based on economic rationality (Beeson, 2004; Chang, 2010; Zhang & Rasiah, 2015). The decision was also intended to create a strong bank that could boost Ethiopia's economic growth.

The fact that CBB had weak financial performance in six consecutive years before the amalgamation did not have an impact on the decision to merge the banks, though some interviewees questioned this. CBB was amalgamated with CBE to take advantage of the synergies and economies of scale and for dominating the sector. A government led and dominated financial industry is aspired for to deepen political influence as prescribed by the developmental state ideology (Beeson, 2004). As CBB and CBE were both government-owned banks, allowing them to work as separate entities led to a wastage of resources and a duplication of efforts. Since both were focusing on serving a similar cluster of customers, sharing similar objectives, and working towards achieving similar goals with similar activities, it was found that unifying them through the process of an absorptive merger would be better and more feasible. It was also believed that the merger would enable the government to focus better on its financial institutions and bring about financial literacy. Further, it was also evident that formal and/or informal power did have a strong effect on strategic change (Greve & Mitsuhashi, 2007). There was a widely shared impression that ETC's top management was dominated by Amharas. Many former ETC employees felt that the transformation was basically aimed at expelling the opposing group and replacing it with those who were loyal and politically affiliated as top managers to buttress the government's control. Thus, the transformation of ETC to Ethio Telecom can be seen as a power shift that went beyond strategic systemic alterations. However, it was also evident that eTOM based business process development and the complete structural design was not simply a structural surgery but a complete strategic transformation. It started with defining the business, developing the processes, and then crafting a structure.

The hubs of gravity in transforming ETC include the '*strategy, process, people, technology, and structural'* dimensions. It was a radical business model renovating from a slow public service corporation to an aggressive private mode which was in fierce competition though without a competitor. Its perceived competition was against world class telecom operators' standards, not with non-existent telecom operators in the country. It might seem paradoxical that there was a spirit of being in competition and operating as if there were strong competitors in the industry. This can be interpreted in two ways, the first is rational competitive aggressiveness against international telecom operators' frame (with their standards) and using the transformation as a means of deepening state power by removing the deep rooted top management and replacing it with young, energetic, politically affiliated, and sound candidates; here organizational justice was compromised (Cropanzano et al., 2007).

Pettigrew (1977: 80), in his seminal work indicates that, "strategy formulation can be understood as a process of political decision making." Linking organizational politics with macro politics was observed in ETC's strategic transformation. This can also be substantiated by the ethnic oriented selection of the so-called change agents in forming the transformation program office (TPO). Ethnic based perceptions about employee assignments to TPO was tagged by the nick name *Tigrian population organization* for TPO since most perceived that most of those working at TPO were dominated by this ethnic group. Besides, a mass of employees alleged that the cadres joined the TPO. Put simply, TPO was seen as a house of the cadres and the gathering of political cells. This distrust appears to have originated in the inclusion of individuals without thoroughly considering their merit. TPO also recruited fresh blood from different universities, which was believed to induce a new working culture that would act as a change agent and catalyst though it proved to be a failure.

This *'we'*- *'they'* grouping could be linked to unjust practices. According to Beugr (2002: 1097), "tribalism, favoritism and racial discrimination were the main de-motivators at work. To the extent that such practices still prevail in most African countries, they may discourage employees and become the source of perceived unfairness" (also see, Machungwa and Schmidt, 1983).

According to Deutsch (1985), two types of justice is related to a group -- *'in-group'* and *'out-group'* members: *"inclusionary and exclusionary justice"* (cf. Beugr, 2002:1096).

"Justice becomes exclusionary when individuals apply justice principles only to members of the in-group and inclusionary when justice principles and procedures are seen as universally applicable" (Beugr, 2002: 1096). This can be linked to favoritism for TPO members in terms of interpersonal treatment and distributive aspects as differentiated from normal ETC employees. The old-new blood casting also shows the prevalence of '*out-group'* injustice. Tribal thinking as connected to *'in-group'* and *'out-group'* injustice was the other source of perceived unfairness during the strategic transformation of ETC to Ethio Telecom. "In collectivistic cultures, people tend to use exclusionary justice because they tend to favor in-group members more than out-group members. Thus, in African organizations, one may suspect that injustice to in-group members would be perceived as more salient than injustice to out-group members" (Beugr, 2002:1096).

Critically seen, the value-free propaganda of establishing a world class telecom company for discharging the dual mandate of creating an informed society and acting as the central gear of the country's economy was criticized for the existence of individuals in the top management, who were supposedly picked because of their political affiliations rather than their competency levels, while some vibrant and competent staff members were fired.

Further, the old staff versus new blood divide created confusion among old staff members since the objective of redeployment and the injection of fresh blood from universities during the actual placements did not match. Sporadic rumors about the non-meritorious assignments of staff members in TPO appear to have created a crack in relations between the lower, middle, and upper levels and the board. That is, those in the TPO were seen as 'invading enemies' (Buono & Bowditch, 1989). Employees assigned to TPO even hid their identification cards and were reserved rather than talking freely with those who were working in ETC. At last, TPO's failure led to a *Plan B* which was hunting for international telecom operators to implement the strategic change. In both cases (ETC's transformation and the absorptive merger), there was a loss of identity. ETC's identity was impacted when the colors of its logo were changed and the shape of the letters too was changed to convey a meaning related to the country and humanity, which was completely different from the previous one. In CBE and CBB's amalgamation, CBB's identity was lost completely. The absorptive merger was CBB's death that coincided with its birth anniversary (its 40th anniversary). Here, "organizational justice theories provide important theoretical insights regarding how these decisions can affect the surviving employees' perceptions and behavior" (Seo & Hill, 2005:431). This implies that if the employees had been transparently informed about the potential consequences of the merger, had they received fair and equitable treatment in the integration process, and there were equal outcome distributions, the lost identity would not have been problematic (Cobb et al., 1995; Gutknecht & Keys, 1993; Seo & Hill, 2005).

From a processual point of view, ETC's strategic transformation was brought about by way of contracting its management to France Telecom via a competitive international tender floated by the Ethiopian government. The management responsibility was given to the FT team and the placement of employees was made in phases down the hierarchy. The main thing they did was the customization of already developed business processes using the eTOM framework and thereafter there was a structural surgery and the business model was developed whereby the corporation changed to a mini company, named *Ethio Telecom*, with a new brand and business platform. In addition, Ethio Telecom's management approach was changed from decentralization to a centralized and tightly controlled one. In contrast, CBE's general management approach had been the opposite, from centralization to a decentralized approach, since the banking industry necessitated a team work culture. In CBE's case, district managers were given autonomy.

Given the geographical vastness and dispersion of users, it was the right time to allow private telecom operators to efficiently serve the citizens rather than centralizing every decision. Reaching the level of international telecom operators' standards necessitated enabling ease of access to basic telecom services and permitting competition among telecom operators. Thereafter, the creation of an informed society that went with the emerging technologies, holding the power of information, and connectivity to the world could become a reality. The current model in Ethio Telecom is given in Figure 6.2.

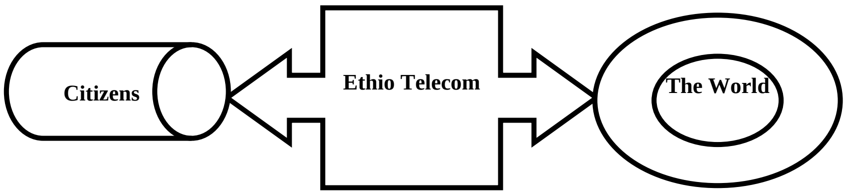


Figure 6.2: Ethio Telecom's monopolistic model

Ethio Telecom has become a dividing wall rather than an efficient technological intermediary in connecting Ethiopia to the world and also to the future. Ethio Telecom monopolistically commands the amount and variety of information that the citizens ought to receive, which is making citizens prisoners of information. Thus, the strategic change came with the strategic power for the government deepening but not information power for citizens since a counter action was expected to be harmful for the government. Informational justice was subjugated because of the government’s ultimate control of the telecom company to bring about state dominated development (Tyler & Bies, 1990). In addition, diversity management connected to the corporate transformation was also questioned. On the contrary, diversity management was emphasized from the beginning in CBE both before and after the absorptive merger. Lack of enhanced diversity management lent itself to the absence of distributive justice during the transformation process (Adams, 1965; Campbell & Finch, 2004; Homans, 1961).

Further, the great leaps made during the contracting of the management team besides effecting the strategic change also led to knowledge sharing and the development of an innovative marketing strategy. For instance, in ETC’s transformation, knowledge sharing for those candidates who were to occupy the top posts was done through role playing. That is, FT’s CXOs (chief x-officers) became experts and Ethiopians became CXOs. Besides, a succession pool plan was designed as a new HR strategic experience. There was commendable knowledge transfer in the marketing division where the customer base instantaneously expanded. During the ETC era, a traditional marketing strategy had been followed which was pulled by customers than the bank proactively going to the customers. The FT consultants introduced innovative marketing concepts and promotional strategies during the transformation. For example, in the marketing division FT helped Ethio Telecom in realizing a well-developed channel and strategy to operate as a competitor though it was monopolistic in nature. For instance, there are two sales departments: *direct channel* (DC) and *indirect channel* (IDC). The indirect channel is a new structure brought by FT. At zonal and divisional levels, this is under residential sales. The indirect channel is available in all six zones in Addis Ababa and in the regional branches. This is a channel to make Ethio Telecom’s products reach the ultimate customers. The chain is:

ET ⟹ *distributors* ⟹ *sub--distributors* ⟹ *retailers* ⟹ *end users*

The direct channel (DC) involves direct sales of products via Ethio Telecom’s own shops in Addis Ababa and in the regional areas; there are no middle men. The end users directly access ET’s shops. The IDC and DC approaches are meant to ease accessibility for customers. In the ETC era, the distribution was handled solely by a limited number of ETC’s own shops, that is, only DC. The difference in the distribution system is very visible and currently the company can reach the country end to end by using the IDC and DC platforms. There is an exponential increase and improved efficiency nowadays. Additionally, for customers not addressed by the two channels, the *alternative channel* (AC) was an option. The direct channel operates via direct outlets (sales shops). In the direct channel, products are sold directly to end users. The indirect channel on the other hand is through formal distributors (regular distributors based on contractual agreements). But the regular distributors cannot cover all the market. For example, occasional demands were not well addressed by them. Thus, the alternate channel was an option for occasional events and for premium customers who purchased in bulk to fill the gap in the capacity differences among distributors.

For distributors who sell in millions or billions, the alternate channel division provides special support for customers as its normal duty. For example, a key account management service is given to such customers as taught by FT. Key account management is a special service given to big customers. This means, the unit applies ‘*pareto-optimality principle, 20-80 percent’* (Stevenson & Hojati, 2007). In this principle the marketing department serves the critical few making important income contributions separately from the mass of distributors. In the marketing division, every process has been designed to face world class competitiveness.

In the HR area, FT brought its experience of establishing a succession pool and a delegation matrix. But an unclear career ladder still characterized Ethio Telecom. The ambiguity in career path development led some staff members to leave Ethio Telecom though they were retained initially during the transformation. On the contrary, one of the grand strategy reorientations made in CBE apart from the radical changes in resource mobilization and business growth, was investments in HR by recruiting international consultants from the Frankfurt School of Finance and Management. CBE’s management developed a new structure by dividing the HR department into two, HRD and HRM for a strategic focus. CBE accepted that HR was a vital resource to invest in for catalyzing the bank’s ROI.

Besides, as a strategic change commonality, both Ethio Telecom and CBE established centers of excellence for the strategic development of their respective HR though their practices differed. In CBE more effort was made for capacitating the HR after acquiring CBB's employees for realizing its world class status by 2025. But Ethio Telecom lagged in this respect since it started redeploying its previous employees and injecting new blood while it was expected to develop its HR as a technology company.

Parallel to the strategic changes in both the cases, the empowerment of local staff members was another big question especially in Ethio Telecom. Though there were financial resources in these big public corporations, empowerment of local experts was not pursued as a culture. A single person held all keys (that is, the power to take decisions was confined to one or a few dominant bureaucrats appointed by the government). Every person was not given his/her own key. Individual experts were not encouraged based on their achievements. In principle, if someone achieved the intended results, he/she could stay otherwise get out. Promoting organizational justice in distributing outcomes, cascading procedures, sharing information, and permitting healthy interactions is crucial for a telecom business (Adams, 1965; Campbell & Finch, 2004; Cropanzano & Greenberg, 1997; Thibaut & Walker, 1975; Tyler & Bies, 1990).

Connected to procedural justice, the Ethiopian government gave a lot of freedom to FT during the transformation process (Thibaut & Walker, 1975). It did what it wanted. It exercised freedom without limit under the law of the land. Confidence in domestic experts was low since the government perceived them wrongly. For instance, FT cut mobile tariffs from slightly more than 100 birr to 15 birr and changed communication channels to automated platforms. FT took risks that were unthinkable to the locals. But the domestic experts looked at the existing culture and cascaded things accordingly. For FT, making such changes was simple and what it had been accustomed to. Enforcing email communications was difficult for the local management given the legality of such communication platforms before the new law was introduced.

Further, the culture of most public enterprises in Ethiopia is that employees are well protected unlike at FT where one's stay depends on his/her efficiency with strict performance management. For instance, the FT managers were perceived to issue letters repeatedly and also for firing employees if there were clashes during the transition. Its strategy was *'the end justifies the means.'* The FT team's unpredictable actions for lower level employees created stress among them. Many employees got sick, applications for sick leave increased, and complaints escalated. Involving local expertise in the decision making team was justified since FT did not know the local culture according to some interviewees. This situation could be explained by the absence of procedural justice while implementing the transformation. Procedural justice affirms that the process is a more powerful factor in perceptions about justice than outcomes (Cropanzano & Greenberg, 1997).

The absorptive merger (amalgamation) case was totally owned and cascaded by domestic experts composed of members from CBB, CBE, and PFEA. The steering committee formed to lead the merger process was accountable to the director of PFEA. So, the amalgamation team did not face problems of being outsiders in the cultural set-up compared to the management contract involving FT. In comparison, procedural clarity in the integration process of the merger, participation of representatives from both the banks, and a reasonable degree of information sharing resulted in a positive perception of organizational justice among lower level employees (Cropanzano & Greenberg, 1997; Seo & Hill, 2005). Put simply, "[s]upportive communication also reduces perceptions of uncertainty and reduces stress by helping employees to develop a sense of perceived control" (Campbell & Finch, 2004: 181; also see, Albrecht & Adelman, 1987).

Overall, there was corporate shrinkage in Ethio Telecom since ETC was transformed into a mini share company, whereas there was greater 'corporate plasticity' in CBE as it absorbed most of CBB's branches and engaged in aggressive resource mobilization as well as following a business expansion strategy ascribed to the strategic change (Chevreux et al., 2014). CBE jumped from strategic complacency to strategic savviness (from a credit-oriented strategy to resource mobilization and business growth). In contrast, a strategic reorientation to universal banking by abandoning a lucrative specialty area ended in organizational absorption in CBB's case.

6.3 The transformation and amalgamation process – *The process dimension*

The process of strategic change needs to be seen from a justice perspective apart from the usual rational, learning, and cognitive lenses (Cropanzano et al., 2007; Rajagopalan & Spreitzer, 1996). The organizational justice theory's dimensions: the '*distributive', 'procedural,' and 'interactional'* aspects are used for explaining the strategic change processes in ETC's transformation to Ethio Telecom and in the absorptive merger of CBE with CBB (Cropanzano et al., 2007).

ETC's strategic transformation to Ethio Telecom materialized by way of the management being contracted to the renowned France Telecom through an international competitive bidding. The main reason for contracting FT was given as the absence of practically tested and experienced domestic experts and the difficulty in finding a few diaspora groups abroad. Reflexively seen, this rationalization also had an implicit agenda of ignoring capable but politically agonistic local experts who would have brought about radical power and cultural shifts against the government's interests. Besides, the problem in Ethiopian is that as a cultural practice leaders do not allow domestic experts to develop thus not giving them the capacity to do better. The transformation leaders at Ethio Telecom claimed that mere patriotism without proven experience and technological knowledge was pointless.

Integrity is at the center of attention in most management contracting exercises while making strategic changes (Saunders & Thornhill, 2004). If outside consultants develop successors within a short period, they will lose their benefits. Thus if seen from the point of view of sustainable knowledge and experience gains for the benefit of the country and organizations, contracting FT was questionable due to the short-term emphasis of these outside experts. Besides, foreign consultants might opt for creating dependency on them in the future by not imparting the required practical knowledge in one-time contractual arrangements. That is, possible they can create expertise power dependency (Greve & Mitsuhashi, 2007; Pettigrew, 1977). Thus, experience sharing demanded wise infiltration and caliber on Ethio Telecom's side. FT had been stingy in giving templates to the domestic employees. Some Ethiopian experts emulated and imitated everything starting from templates for future use. This scenario amplifies the perceived hidden agenda of some foreign contractors and the likely erroneous assumption of the government in not allowing domestic experts to cascade the transformation even by trial and error as far as the sustainability of lessons learned for the future is concerned.

The FT team took over technical and management responsibilities during the transition. Employees in higher posts, chief officers, and officers had been working at TPO before FT came. So, it appeared to be a planned power reshuffling by the government. The other reason was that the transformation was made via vendor financing where the government borrowed from external sources so that the vendors would have a say in expertise decisions. This could not be open to trial and error. Another reason was that the major objective of the transformation was creating a world class company. Therefore, those having proven world class exposure and experience who could guide domestic managers were badly needed.

Despite the cultural differences between FT and ETC, the aim was standardizing telecom operations and investing in technological upgrading. This ultimately necessitated assimilation of internationally proven experience for realizing the ambition of attaining world class status. NGN technological projects had been running before the arrival of the FT team. Put simply, FT played a catalytic role by paving the way for a transformational take-off through management contracting. They glued the already developed processes, strategies, and structure together by disturbing the status quo and taking the risk of transformational waves especially from the employees. In addition, no attempt was made to scout for Ethiopian experts working in international and competent telecom operators to make use of indigenous knowledge. There were language barriers among the French and Ethiopian experts which hindered effective learning through knowledge spillovers during the transformation process.

In addition, when seen from the perspective of the *organizational justice theory* while enacting the strategic transformation, there was information asymmetry from the beginning (Greenberg, 1987). For instance, the objective of the transformation was not known to most employees at the lower levels, implying the existence of interactional and informational injustice (Tyler & Bies, 1990). The entire transformation was closely monitored and controlled by a steering committee established under the prime minister's office. As it was a great national agenda, the ex-prime minister did strong follow-ups of the transformation efforts. Apparently, professional autonomy to cascade the strategic transformation was buried and cemented by hard political granite to prevent its resurrection. The strategic change was the first of its kind in the telecom industry's history and in the context of the nation's organizations. The process painstakingly tried to deconstruct the deep-rooted culture of the corporation even though there was injustice in the process of implementation. The corporation did not learn from its century long history and experience in the telecom industry as a government protected monopoly. The corporation had a traditionally oriented workforce which lacked necessary competence that preferred stability over moving with the shifting winds of telecom technology in the world. The social bonds among its ex-employees were very strong and breaking these led to a cultural shock among the employees who feared for their existence. If interactional justice does not address emotional attachments during a change, the result will be anti-change social behavior (Knoche & Waples, 2016). This could better explain why the transition phase was characterized by turmoil, stressful conditions, clumsy reports, frequent changes in the directives, and so on.

A transformation can take place because of some reason but what is important is whether the transformation is implemented properly or not. The process in Ethio Telecom's case during the transformation was poorly managed. FT came with a purely business approach and the Ethiopian government came with a political mind, which were paradoxically conflicting stands. ETC's strategic transformation was initiated by the reorientation of a grand strategy which called for standardized business processes being developed using the eTOM framework, which is a common telecom operators' platform around the globe (TM Forum, 2016). This standard business framework needed a new structure, which called for restructuring. Afterwards, mapping the processes to the new structure and providing the technology an anchor in the new system for process and structural alignment was done. Finally, who belonged where, that is, employee placements followed. According to Saunders and Thornhill (2003:360), "organizational justice integrates the outcomes of organizational change with the methods used to achieve it, and perceptions about the treatment of those affected." That is, procedural transparency and clarity can determine the smooth sailing of a strategic change as acknowledged by procedural justice theorists (for example, Thibaut & Walker, 1975; Campbell & Finch, 2004; Folger & Cropanzano, 1998; Folger & Greenberg, 1985).

Regarding communication platforms during the transformation process, the employees were given no open information about the real aims of the transformation. That is, informational and interactional justice was undermined (Tyler & Bies, 1990). Convincing employees that the company was for all Ethiopian people and that, though governments could change, the company will always be there in an intergenerational manner appeared the right approach for logically winning the hearts and minds of the employees. In principle, for the sake of a few individuals, citizens' assets did not have to be abused and it necessitated a mutual understanding to be reached in a democratic and transparent way. According to Lines (2004: 193), "participation in strategic change processes is frequently assumed to have a number of positive consequences for decision quality, affective responses to change and success of strategic change implementation." The total focus ought to have been on business excellence since Ethiopian society will develop when ET develops telecom infrastructure and works for creating an informed society.

By the same token, employee placements in the absorptive merger of CBB by CBE were perceived to have been done chaotically. This can be attested by the fragmented diffusion of CBB employees across CBE's branches to dissolve CBB's old culture. Thus, there was distributive injustice especially at the top management level since most former CBB top managers lost special benefits linked to their positions (Beugr, 2002; Thibaut & Walker, 1975). Placements were characterized by career path displacements and forced placements of CBB's employees in available positions. CBB's top management teams were disadvantaged since they lost their comfort zones including higher positions, allowances, and decision-making powers. According to Seo and Hill (2005: 431), "in many cases, M&A involves decisions regarding reselecting and displacing employees. Organizational justice theories provide important theoretical insights regarding how these decisions can affect the surviving employees' perceptions and behavior." Connected to this, hierarchical passive resistance was a consequence of lack of clear information and mutual engagement in properly addressing employees' wrong perceptions. Seo & Hill (2005: 431) argue, "[w]hen workers see themselves as being treated fairly, they are more likely to develop attitudes and behaviors in support of change, even under conditions of adversity and loss" (also see, Cobb, Wooten & Folger, 1995). This implies that employees might be more interested in the process of arriving at decisions than merely looking at the outcomes alone. This lends itself to the essence of procedural justice (Thibaut & Walker, 1975). In the same vein, "fair procedures increased individual's satisfaction with unfavorable outcomes" (Ambrose, 2002: 808).

In practical terms, there was no real job insecurity for the employees except career path displacements and lost positions especially at the top management level for CBB staff. As a result, hierarchy-based passive resistance was observed during the transition. Besides, there had only been marginal communication confined to the top management about the merger decision. Middle and lower level employees were notified and briefed after the decision for the merger had been reached secretly. There was no participation of employees in the beginning of the process. But it was expected that the managers would indirectly inform employees about the merger though direct information about the merger was not common.

Seo and Hill (2005:426) indicate, “even in the early stages, when they cannot provide a lot of information about the M&A, they can make themselves available to listen and show that they are there for their employees.” The good thing in the merger case which is in contrast to ETC’s case is that, though the merger initiative came from the government, implementation modalities and expertise work was given to both banks’ top management teams and employees. However, setting up a unified direction for the employees was a difficult tree to climb during the amalgamation. The difficulties in integrating CBB employees with CBE employees due to cultural differences created a gap though this is smoothly reducing with time.

In the absorptive merger process (amalgamation), system integration (technical side) was done diligently by a pool of experts drawn from both the banks and from PFEA. But the human side followed a kind of a hit-and-miss approach. That is, vacant posts in CBE were searched for and CBB’s employees were forced to fit-in. Seo and Hill (2005), acknowledge such a situation where most pure merger arrangements suffer from less synergy than expected. Besides, the psychological and behavioral effects were not examined sufficiently (Hogan & Overmyer-Day, 2005). Separation anxiety can be limited through timely and accurate formal communication in case of mergers (Seo & Hill, 2005). The merger project was a 90-day project. According to Seo and Hill (2005:426), “speeding up of the integration process can also be an effective strategy for minimizing prolonged uncertainty and anxiety.” In ETC’s case, such speedy transformation did not happen.

In many M&As, “there may be a feeling of superiority and a tendency to dominate the action by imposing an integration plan on the absorbed one” (Seo & Hill, 2005: 427; Marks & Mirvis, 2001). Besides, the degree of acceptance of the status of the merged organization by employees plays a paramount role in smoothing the integration process (Hogg & Terry, 2000). Here, CBE was the largest and the leading bank in the industry, and thus joining it was a dream for most working in smaller and low performing banks. CBE’s positive image acted as a moderator in minimizing the tensions expected in the low-performing near death CBB thanks to the government’s intervention. Some CBB employees tried to be identified with CBE. For example, one interviewee from CBE withdrew from the interview when I told her, “I selected you since you are from CBB.”

Rejecting the old CBB identity and adopting the new CBE identity was mediated by the government's intervention, the CBE's president promoting the new identity among CBB's employees, re-shuffling and following an assimilation strategy, diverting attention to a common enemy (that is, private banks), and conducting induction meetings (Terry & O'Brien, 2001).

In conclusion, the post-merger stabilization phase was executed with precaution. The ex-CBB employees were free to appeal any inconveniences because they were strangers and CBE's complaint handling committee was formed to handle these. Thus, despite the adjustments expected, "organizational stability recurs, and norms, roles, and organizational routines are stabilized" (Seo & Hill, 2005: 433). The quicker stabilization and assimilation process partly lent itself to team work in the banking industry and also the type of ownership (that is, both the banks were owned by the government).

6.4 Strategic change leadership - *The invisible leader (s) and the visible anarchy*

One of the key ingredients in implementing strategic change is the quality of leadership (Kotter, 2012). Literally, "[c]hange management cases in business organizations paint a more humanistic picture that the new twenty-first-century leader is a people person, adopting a more participatory, inclusive style" (Smith & Graetz, 2011: 3). However, in the Ethiopian context the cases were not in line with theoretical expectations whereby the leader is invisible and the source for the change is anecdotal instead of being a shared happening. According to Smith and Graetz (2011: 4), "[o]rganizational leaders should try to challenge the status quo, increase risk-taking and creativity, and transcend boundaries through information- sharing and teamwork."

Contrary to what is known in theory, strategic change leaders while transforming ETC to ET dwelt on the influence of political and positional power rather than following advanced knowledge-based approaches. This led to immense criticism from the employees; it also led to complex transformation processes. In addition, there prevailed an invisible leadership approach during the transition whereby nobody was held accountable in public for what was happening except the then deputy minister. The steering committee that passed capital decisions during the transition was hidden in an unknown office located far from the headquarters to prevent their identification and targeting due to the chaotic and non-transparent imposition of the change process. The leading role of strategic change communication in this respect to tell employees about the theoretical approaches was forgotten. Hence, nocturnal communication characterized Ethio Telecom, whereas a marginal communication pattern was observed in the merger of CBE and CBB.

Acceptance of the leadership in Ethio Telecom during the transition and afterwards was low. The formal structural legitimization of power was not practical and thus, employees at the supervisory and managerial levels used their own informal religious and elderly prescriptions as informal sources of influence (Berger et al., 1998). Besides, the political leadership was also confused as it had limited intellectual capabilities, that is, the leaders tended to coerce instead of convincing their subordinates due to lack of professional capacity. As a result, the strategic change became chaotic. On the contrary, at CBE the leadership handling the merger was very visible, and a regular reporting chain was also clear. Even shop-level employees knew who was leading the amalgamation process. Any problem during the integration process was addressed by a responsible committee in a timely manner. A strict and very transparent merger process was a reality. Both the top managers and employees at the lower levels executed their professional roles as per the mandate given by their employer (that is, the government). There was power decentralization to districts and the merger process started by deciding which branch to close and which to hold on to. Though the lead for the merger of the two banks came from the government, there was unusual commitment from the bottom to the top management levels in realizing the merger effort. There was surprising and unexpected cooperation from CBB employees' despite having lost their identity. So, an overt fight back was a dream unlike the transformation experience in Ethio Telecom.

The leadership style in Ethio Telecom was not participatory since those at the top were the ones who were feared the most. The leadership style was inclined towards being an autocratic one. Team work was not encouraged despite the presence of different committees and quality circles. This lent itself to distrust and emotional detachment during the transformation. Besides, power was confined to a few individuals in the top hierarchy. In CBE, there was reciprocity (Westphal, 1997) which meant that leaders heard what their subordinates said rather than imposing their own decisions. It was more transformational though there were some limitations in fully exercising such a style of leadership (Kotter, 2012). However, for familial social bonds in CBB, the merger was a difficult phenomenon. According to Smith and Graetz (2011: 4), "organizations are knotty, multi-faceted entities, populated by complex human beings who introduce an emotional, irrational x-factor ingredient in the organizational change melting pot. Progress therefore; requires combining and recombining multiple lenses of theoretical changes to improve integration and avoid more fragmentation" (also see, Lewin & Volberda, 1999).

In conclusion, in both CBE and ET, government policies cascaded down to the respective boards, the boards gave strategic directions and the managements led their implementation. The general approach to decision making in these big public corporations in Ethiopia follows a top-down style which creates complex tensions between business and politics which need to be reconciled.

6.5 Corporate plasticity versus shrinkage

Accompanying the transformation of ETC and the absorptive merger between CBE and CBB was the expected corporate plasticity or minification (shrinkage) (Chevreux et al., 2014). ETC was transformed into a small and highly centralized share company (Ethio Telecom). At CBE, accelerated branching out was not a matter of profit seeking but for resource mobilization as a strategy at the corporate level, where the absorptive merger served the same purpose. In particular, if one compares Ethiopia with the experience of emerging economies in Asian countries, the number of branches per people ratio is very low in Ethiopia. Roughly, one branch serves 60,000 - 80,000 individuals. Further, connected to the state of underdevelopment is the thinking that if individuals cannot count hard currency, they will not accept its value. CBE does not necessarily have to follow the trends in developed nations. The ground facts in the country should dictate the bank's strategy. Branching out in banks is a feature in many developing countries (Nam & Ellinger, 2008). When Ethiopia develops, CBE might shut down its branches. While it is growing, deposits will be encouraged and finally consumption will be stimulated as a result of societal development. The experience of emerging countries including China, India, Indonesia, and Vietnam was based on such a development strategy (Van Horen, 2012). Their success was assumed to be beneficial for Ethiopia. This is the reason why CBE has been expanding aggressively since 2010. The saving rate roughly increased from 25 percent in the first GTP to 40 percent in the second GTP and this is ascribed to branching out as per the top managers' views.

Further, CBE knew that the technology usage among its customers is improving. But it is not up to the level to support banking services. CBE used technological services like mobile banking, internet banking, and card banking. But, there are very few of its customers who use such technologies; their number is not more than one million. Currently, awareness about technology use among customers is very low. They also do not trust such technologies. Thus, a lot remains to be done when it comes to creating awareness. In addition, the system in place is not complete in the Ethiopian context as it does not support all services. Even in the future, technology usage will supplement the efforts of the bank's branches. Though China, India, and America are technologically advanced, the lion's share of the banking is dependent on branch banking instead of unitary banking (Nam & Ellinger, 2008). In the long run, a situation might arise which will need organizing branches into a unit banking system using the core banking technology. So, CBE's approach is that it will expand both technology use and outlying branches and solutions will emerge in the future. This thinking also goes with the country's development agenda. In principle, CBE believes that if someone wants to hold cash in hand, he/she should be allowed to and if some others move to paperless transactions, they should be served accordingly. CBE's strategic intervention will depend on the interests of both these categories. Hence, branch networking has been the business model for banks in Ethiopia. Though using technology as needed is essential, a technology intensive approach is not appropriate at the moment. Even in countries which have adopted state-of-the-art technologies, their emphasis on HR is high. The technologies are meant for increasing customer convenience and not for totally replacing employees. For instance, an ATM's functions are very limited compared to what branch level employees are doing. Banking technologies are alternatives for customers and not substitutes for bankers. Technologies are supplementary to banking processes. Recruiting employees and developing them for balancing the growth strategy and achieving Vision 2025 is what the bank is doing. Still, the branch to population ratio is very low in the country. The unbanked population is far more than the banked population. Simply put, expanding access through physically opening branches is a must in the country.

Utilization of supportive information technologies is beneficial, but Ethiopia as a country is not expected to invest in extreme technologies that will displace bankers as a business model. In addition, society's technology utilization capability is poor. Thus, investments in technology will be a sunk cost. Cascading both technology deployment and traditional banking in an integrated manner is necessary in the Ethiopian context. Connected to the aggressive expansion, the world class position that CBE is expected to have by 2025 has raised many questions and suspicions. But translating this vision has been done meticulously to operationalize its '*world class'* status. There are four aspects: '*strong financial soundness*, *responsiveness to the stakeholders*, *efficient and effective business processes*, and *disciplined, proficient and competent employees.'* In short, it means taking most processes to the level of international standards. World class is not necessarily about size or presence throughout the world but it is about the quality of services provided by the bank. A bank can be very small and at the same time be world class. Besides, bankers can work anywhere in the world so long as they possess standard banking competencies. This does not mean having branches worldwide.

If one sees in terms of size, CBE is just a peanut compared to other giant banks in the world. Moreover, when anyone sees CATS, TS, and credit service and compares these to the international level, it is expected little or no deviation from what world class banks do offer. In terms of HR, it means having a banker who can work anywhere and in any bank in the world. Internationalizing SWIFT, letters of credit (LCs), guarantee processing, and training delivery are all requirements. In addition, to be international, a bank must be able to fully satisfy international demands in terms of service requirements. For example, T24 is the latest world class banking system and CBE is applying it to reach world class standards. Reaching world class standards by 2025 and realizing where the world will reach by 2025 are two different things since this demands a double effort.

The bank is working more on filling skill gaps as reflected in the way it is running many IT projects. In terms of technology, CBE has a latecomer advantage which it can capitalize on and provide modern banking services (Perkins & Neumayer, 2005). So, any customer from anywhere in the world can get world class banking services in CBE. This has been operationalized in terms of translating its vision so that there is lesser confusion. Given the time remaining for attaining world class status, the bank is working hard to make it feasible by 2025. The main thing is that HR has to be world class. If a bank has an employee pool that has world class mentality and competence, it can be called world class in that criterion.

The other aspect of corporate plasticity is developing new banking products. As the economy of the country grows, human needs and wants will change. Besides, as awareness in society increases its needs will change in parallel since economic progress and awareness are intertwined. If, for instance, CBE wants to develop new banking products, it will have to adopt new banking products available in the world than just looking at older products given by other banks. Thus, as a newcomer CBE will provide banking services provided by world class banks to attain a world class rank. According to Perkins and Neumayer (2005: 789), "latecomer advantage allows developing countries to diffuse new technology faster than developed countries."

Another dimension of corporate plasticity is massification of the employee base. In recent years, CBE has undertaken a vast expansion of its branches. This aggressive branching led to a resource mobilization strategy which requires a balanced workforce. Thus, injection of new blood and shaping it is a long-standing recruitment policy as well as means of discharging its role of providing governmental employment.

Linked to corporate plasticity (that is expanding branches), CBE's strategic objective is reaching the unbanked society and having strong financial capacity for withstanding the possible competition that will come when foreign banks come to Ethiopia's banking industry. Developing customer banking relationships is crucial for banking technology to be introduced in the future. CBE is expanding not only in the domestic market, but it is also opening branches oversees to enhance its global presence. For instance, CBE has four branches in Juba (South Sudan) and is planning to open additional branches in Djibouti, Sudan, South Africa, Dubai, Somaliland, London, Frankfurt, and Washington DC. Most Ethiopian diaspora lives in these cities. The objective is not to give banking services but to generate foreign currency through remittances because there is a shortage of foreign currency and thus the bank is moving in the right direction. Though CBE's standard of service delivery as compared to other international banks not comparable, citizens with national sentiments might deposit with CBE. Since its vision is being a world class bank by 2025, one of its strategies is increasing accessibility. When accessibility increases, operational excellence and business growth will also improve.

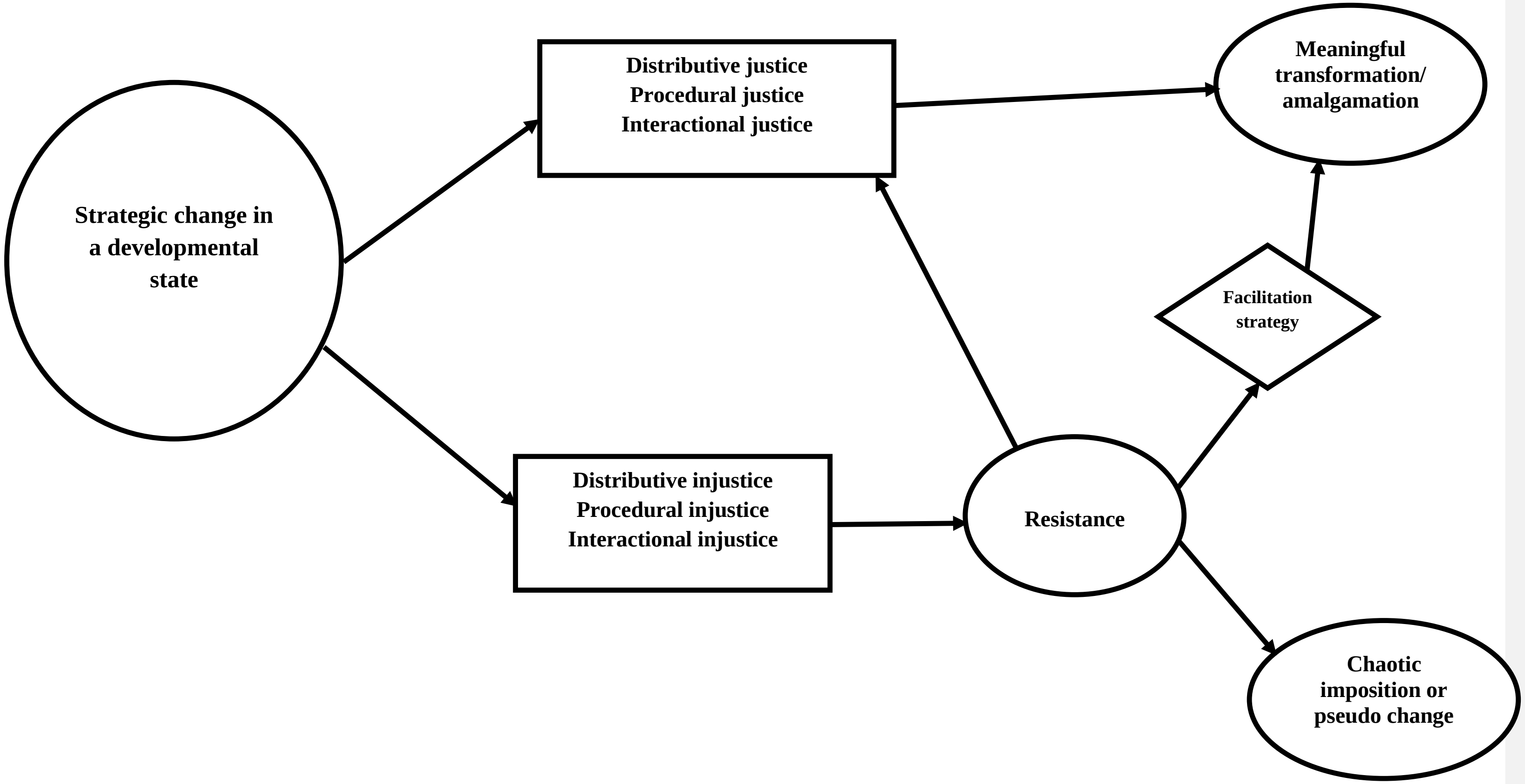
Branching-out is yet to be pursued aggressively though there might be challenges of technological infrastructure in managing the branches. CBE is expanding so as to be compatible with people's growth and for winning public confidence by ensuring that it has a presence in every corner of the country. A lot remains to be done in branching-out till every corner gets banked fairly and justly. Ethiopian society is the least banked even by African standard. Accessibility is possible by following a branching-out strategy given the state of development and technology that the country is in. To educate the people about saving and to contribute to national economic growth, reaching the population in rural areas is a must.

6.6 A contextually anchored strategic change model

One of the objectives of my dissertation is developing a contextual strategic change theoretical model in a developmental state context. Figure 6.3 shows the contextually anchored strategic change model that I have developed in an abductive way. I call the change a *developmental strategic change* (that is, strategic change in a developmental state) since the strategic changes made at Ethio Telecom and in the absorptive merger between CBE and CBB were triggered by the government's developmental orientation to steer the national economy. But, the processes of strategic change implementation were affected by the presence or absence of organizational justice in terms of distributive, procedural, and interactional dimensions (Cropanzano et al., 2007). If distributive, procedural, and interactional justice (DJ, PJ & IJ) are maintained, there might be a better change and a smooth and meaningful transformation and/or amalgamation (realistic developmental strategic change). Inversely, if distributive, procedural, and interactional injustice (DIJ, PIJ & IIJ) prevails, the anticipated strategic change will end up being a chaotic imposition or it will be diverted by logical/productive resistance.

Fruitful resistance against unjust strategic change practices will bring about distributive, procedural, and interactional justice leading to a meaningful strategic change. Besides, fighting unjust change impositions from any direction will necessitate deploying a facilitation strategy to circumvent these. This in turn will lead to a meaningful strategic change via remedying the situation. Otherwise, the worst scenario of chaotic imposition might give rise to a false change (pseudo change). Consequences of a chaotic imposition of strategic change include escalating resistance, turnover, malpractices, loss of identity, emotional detachment, distrust, aggression and deviance, workplace sabotage, resource misappropriations, career path displacements, ideological polarization, and power shifts. Besides, an attitude of revenge might develop (for example, as seen in cash embezzlement and optical fiber cutting, theft and fraudulent behavior in the cases) (Ambrose, 2002; Ambrose et al., 2002; Folger & Skarlicki, 1998). Outcomes of a meaningful and virtuous strategic change include enhanced service efficiency, business processes alignment, power consolidation, developed HR, resource mobilization, increased assets and capitalization, job satisfaction, organizational commitment, increased performance, organizational citizenship behavior, and trust (Colquitt et al., 2001; Cropanzano et al., 2007; Nowakowski & Conlon, 2005). In conclusion, strategic organizational justice underlies a just and sound strategic change for development by protecting against an unhealthy political capture.

Figure 6.3: ***A contextually anchored strategic change model***



Chapter 7: Conclusions and future research directions

This chapter gives the concluding remarks, the theoretical contributions of the dissertation, the practical implications of its findings for policymakers, practitioners, and the academia, its limitations, and recommendations for future research. Section 7.1 summarizes the critical findings of the dissertation and the lessons learned, Section 7.2 elaborates on its potential contributions to theory, while Section 7.3 presents practical implications and the last section reflects on the limitations of the study and possible avenues for future research.

7.1 Summary of the findings and lessons learned

Relying on two cases of two case organizations -- the strategic transformation of Ethiopian Telecommunications Corporation into Ethio Telecom and the absorptive merger of CBB with CBE -- and triangulating the data collection techniques (semi-structured interviews, informal personal observations, and secondary documents), this revelatory study contributes to a deeper understanding of strategic change and the application of organizational justice theory in a developmental state context. Besides, this dissertation sheds light on the *'context-process-context'* dimensions of strategic change which are extrapolated in the organizational justice theory. It rejuvenates the organizational justice theory and the contextuality of strategic change by taking organizations situated in a developmental state ideology as being different from the mainly western-thinking based strategic change literature. The central focus of the dissertation is *'how strategic change unfolds in a developmental state context'* which it studied using the content-process-context elements and applying an organizational justice perspective with its dimensions of 'distributive, procedural, and interactional' justice.

Regarding the contextual drivers of strategic change and given the pace of competition domestically and internationally, CBE and CBB as well as ETC had been characterized by stability and strategic complacency instead of being proactive. Changes in the business culture and in technology because of the deregulation of the banking industry in 1994 and total liberalization efforts in all sectors can be cited as root drivers of the strategic changes in the case organizations at the macro-level. Besides, as government developmental enterprises, Ethio Telecom and CBE's strategies were derived from the government's growth plans (GTP I and GTP II). So, the aggressive formulation and implementation of consecutive growth and transformation plans are seen as the contextual drivers. Broadly speaking, the major reasons for the phenomenal strategic changes in the cases include a developmental state ideological orientation at the national level; deregulation and liberalization of the respective industries; strategic role ambiguity (for example, acting as an employment relief entity for the government, discharging its public responsibility, and profit making); aggressive resource mobilization; expansion strategies by CBE and Ethio Telecom; banking and telecom technology shifts; persisting internal organizational problems; and the grand hidden agenda of state power deepening in giant public corporations in the country. Regarding how the strategic change processes unfolded in a developmental state context taking the Commercial Bank of Ethiopia (CBE) and Ethio Telecom (ET) cases I now discuss case specific processual issues.

Firstly, the strategic transformation of ETC to Ethio Telecom happened through contracting the management to the renowned France Telecom following an international competitive bidding route. As the empirical facts show, this strategic transformation passed through many ups and downs and led to public badmouthing, aggressive resistance, massive and mysterious lay-offs, the management being contracted, technological upgrading, and renovation of telecom services. The transformation project was for two and a half years, which resulted in a complete power shift, strategy reorientation, new business model, and rebranding. The phase-wise processual happenings included the pre-transformation phase, formation of TPO, bidding by international operators, contracting the management, placement and redeployment, transition phase, handover to the local management team, and acculturation of the new business model.

In the pre-transformation phase, critical attention was paid to the conditional situation surrounding the case corporation. During this phase change trials like network expansion programs, telecom expansion projects, and BPR trials were held during the ETC era which did not lead to an improved performance thus acting as a springboard for a radical reorientation of its strategy. Besides, before the current transformation, ETC had been characterized by fragmentation and loose internal systems with many districts acting as semi-autonomous units to the extent of holding separate multiple accounts. All these conditions showed that the telecom sector was not leading the other sectors of the economy as expected and so the government emphasized on the need for its strategic transformation. It established TPO which constituted the second phase of the transformation process. This coalition mystery was responsible for transforming the technology, developing business processes, and building the workforce's capabilities. The TPO taskforce, selected on the basis of very questionable and vague criteria designed all business processes by adopting the eTOM framework with the help of outside consultants. However, the confidence and hope placed in local expertise by the ministerial office by way of a mystery coalition (that is, TPO) was fruitless. Selection of loyal and affiliated employees in TPO was questioned and it became the center of the emergence of informal groupings and rumours that ended with distrust between the top management and lower level employees.

In addition, TPO's failure was a turning point that led to scouting around for foreign telecom operators who would act as pacemakers in bringing about real transformation. In the third phase of the transformation process, the government launched an international bid for consultants. Based on this competitive international bid, the Ethiopian government outsourced the management to the winner, French Telecom (FT) – the Orange Company.

The fourth phase was contracting the management to FT. The aim was creating an internationally competent telecom operator via assimilating the international experience of an experienced telecom operator and standardizing telecom operations to prepare for the anticipated competition from international telecom operators. Some of the reasons for handing over the transformational responsibilities to FT instead of using local experts were absence of local experts with the required practical experience, upgrading the local management's capacity for exploiting the network capacity created by the NGN project which was launched in 2006, and catalyzing the ambition of becoming a world class telecom operator. The contracting of the management helped manage the transition phase without complex ups and downs (wavering). During the contract period, recent technologies were put in place, business processes that went with these technologies were developed, these processes were validated by outside experts, a new organizational structure was designed, the strategic plan was crafted, and business and sales plans were launched.

The fifth phase involved staff placements and redeployment. At this stage, there were increasing complaints by the employees linked to the prevailing massive downsizing. Broadly speaking, the transformation team had been in the process of establishing two companies: *Ethio Telecom and Hidassie Telecom*. An employee who was not assigned to

Ethio Telecom was not fired but redeployed in Hidassie Telecom. However, there was no clear communication about the establishment of Hidassie Telecom to employees during this time and nocturnal communication contributed its fair share in escalating resistance. It seemed as though the transformation was hidden and there was no proper channel of communication. No one knew anything. This closed communication created ambiguity among employees. Lack of clarity about the change tempted everyone to interpret things as they wanted. Thus, the transition from ETC to Ethio Telecom was characterized by frog jumping and battling. Panic prevailed during that time since FT focused on the restructuring by ignoring employee concerns (human side). After the transition, the responsibilities were handed over to a local young and supposedly energetic management team and FT left after a two and half year long stay. FT's successors had been participating with the FT team so they had got coaching and experience from FT.

The last phase in the transformation process was acculturation of the new business model and way of doing business. For instance, to sensitize employees about customers, Ethio Telecom pursued a new method of on-the-job training whereby fresh recruits passed through 994 call center units. During this phase, stabilization work and alignment with the socio-political situation was done and incremental adjustments were made as a way forward for ensuring the sustainability of the new experience. In general, the process of bringing about strategic change in Ethio Telecom's case was painstaking and was subject to concerns about procedural, interactional, and distributive justice.

The strategic absorption of the Construction and Business Bank (CBB) by Commercial Bank of Ethiopia (CBE) passed through many ups and downs including strategy reorientation by CBB and CBE, process re-engineering, banking technology deployment, hierarchy-based passive resistance, career path displacements, identity loss among CBB's employees, and renovating the banking products. The merger project was for 90 days (three months) that resulted in CBB's complete absorption in CBE, power shifts, identity loss, and a strategic metamorphosis. The process of strategic amalgamation included the pre-merger phase, the absorptive merger/amalgamation phase, and the post-merger phase for processual and contextual visualization of the strategic change that happened between two giant banks in Ethiopia as a precursor to the strategic moves in the banking industry in a developmental state context.

In the pre-merger phase, the then CBB adopted the *70 – 30* strategy where 30 percent of its work was in construction areas and 70 percent was devoted to commercial activities; this started in 1994. This strategy reorientation ultimately resulted in duplication of mandate areas between CBB and CBE and was a U-turn in CBB's mission which ended in its amalgamation with CBE. CBB's unsatisfactory performance, the similarities in its commercial activities with CBE, and the possibility of creating a strong bank had been long-standing issues that were resolved by the absorptive merger. Thus, the decision to amalgamate was taken after considering the national agenda, examining the economic situation, and considering what was to come ahead. After PFEA announced the absorptive merger/amalgamation decision, merger teams were formed, a temporary office was established, and a project was crafted to implement the amalgamation in a meticulous way. A three-month project lasted from January 1 to March 31, 2016. The amalgamation was cascaded in such a way that the merger decision was communicated to employees; cross-functional teams were formed; a TOR was developed; the activities were identified properly; and induction training was given to ex-CBB employees to adapt to the new culture, general working systems, and similar things at CBE. However, there was information asymmetry because of limited communication and this resulted in mixed feelings about the absorptive merger. Employee placements in the absorptive merger of CBB by CBE were done haphazardly. This can be attested by the fragmented diffusion of ex-CBB employees across CBE's branches to get rid of CBB's old culture. Thus, there was hierarchy-based passive resistance during the amalgamation due to career path displacements.

In the integration process, system integration (technical side) was done diligently by a pool of experts drawn from both the banks and PFEA but the human side followed a kind of hit-and-miss approach. That is, vacant posts in CBE were searched for and CBB's employees were forced to fit in. In general, the post-merger stabilization phase was executed with precaution. Ex-CBB employees were free to appeal any inconveniences that they faced because of being strangers and a complaint handling committee at CBE was formed for this. The quick stabilization and assimilation process was partly a result of team work in the banking industry and the type of ownership (that is, both were owned by the government).

Coordination and transition tasks during the strategy reorientation were closely monitored and controlled by a steering committee established under the prime minister's office in Ethio Telecom’s case and by PFEA in the case of the absorptive merger. In the merger case, there was subsequent delegation of amalgamation responsibilities to a team of experts. But, as ETC’s transformation was a great national agenda, the ex-prime minister followed-up on the transformation efforts. This meant that professional autonomy to cascade the strategic transformation was buried under clay and cemented by hard political granite to prevent any resurrection.

More to the point, when seen from the perspective of the *organizational justice theory*, there was information asymmetry from the beginning while enacting the strategic changes in both the cases. For instance, the objective of the transformation was not known to most employees at the lower levels in ET and the amalgamation decision was not known to lower level and branch employees in advance, implying the existence of interactional and informational injustice (Tyler & Bies, 1990). Distributional injustice manifested itself while transforming ETC in the form of allotting key management posts as a political favor without considering merit. Appointments based on ethnicity and favoritism were also observed. The merger was characterized by career path displacements and diffused placements. In addition, procedural ambiguity, an invisible leadership, closed communication, and mismanagement of the placement processes showed procedural injustice. The change strategy for cascading down the strategic change properly was also criticized.

Regarding the question *how was the process of strategy reorientation managed and led by change leaders in the absorptive merger and the transformation,* it was clear that there was an invisible leadership but visible anarchy! While transforming ETC to ET the change leaders concentrated on the influence of political and positional power rather than advanced and knowledge-based approaches that ended in a massive rejection which complicated the transformation. In addition, an invisible leadership approach was followed during the transition whereby nobody was held accountable in public for what was happening except the then deputy minister. The steering committee that passed capital decisions during the transition was hidden in an unknown office located far from the headquarters so that its members could not be identified and targeted for the chaotic and non-transparent imposition of the transformation. Besides, the political leadership was full of limitations because of limited intellectual capabilities of the leaders. The leaders relied on coercion instead of convincing the employees because of lack of professional capacity. As a result, the strategic change became chaotic. On the contrary, at CBE, the leadership that handled the merger was visible though not participatory in the beginning. However, the role of strategic change communication in a strategic change was totally forgotten in both the cases. Nocturnal communication in Ethio Telecom's case and limited communication in the absorptive merger between CBE and CBB characterized the change situations.

Hence, the strategic change in ETC was a reorientation to a convergent strategy (corporate shrinking into Ethio Telecom) since ETC was transformed into a mini share company, whereas there was greater 'corporate plasticity' or strategic divergence in CBE as it absorbed most of CBB's branches and also engaged in aggressive resource mobilization as well as a business expansion strategy for the strategic change. As a result, CBE jumped from strategic complacency to strategic savviness (from a credit strategy to resource mobilization and business growth). In direct contrast, a wrong strategic change to universal banking by abandoning a lucrative specialty area ended in organizational killing in CBB's case.

7.2 Theoretical contributions

Strategic change as an area of research is believed to be characterized by high contextuality (Pettigrew, 1987). My research sheds light on more contextualized issues in a strategic change process by including two cases of an absorptive merger of two public banks and the transformation of a monopolistic telecom company in a developmental state context as we know little about whether a linkage between antecedents of strategic change and the strategic change process holds in a non-western context. In addition, a combination of '*content-process-context'* simultaneously with '*distributive, procedural,* and *interactional'* justice dimensions from an emerging developmental state perspective is a key theoretical contribution of my study which will help in developing an indigenous model of a strategic change process. This contributes to framing a holistic theory of strategic change to advance our understanding. I also developed a contextually anchored strategic change model of what I call a *developmental strategic change* since the strategic changes made at Ethio Telecom and in the absorptive merger between CBE and CBB were triggered by the government's developmental orientation to steer the national economy. This approach shows how the process of strategic change implementation in this context was affected by the presence or absence of organizational justice in terms of distributive, procedural, and interactional dimensions. If distributive, procedural, and interactional justice (DJ, PJ & IJ) was maintained, there would be smooth and meaningful transformation and/or amalgamation (a realistic developmental strategic change). Conversely, if there was distributive, procedural, and interactional injustice (DIJ, PIJ & IIJ), the anticipated strategic change will end in a chaotic imposition of the change or it will be diverted by logical/productive resistance and the change will have to move back to being a just strategic process. That is, fruitful resistance against unjust strategic change practices will lead to distributive, procedural, and interactional justice which in turn will lead to a meaningful strategic change. Fighting unjust change impositions from any direction necessitates using a facilitation strategy to circumvent wrong trials. In this regard, my dissertation backs the 'positive side of resistance to change.'

Further, I found that in a developmental state context, there is a lot of government intervention so much so that strategic changes are ignited by the local government's developmental orientation. Here strategic change cannot be reduced to a firm-level phenomenon as in such a context it is also a macro phenomenon. As the developmental state context in my study showed strategic change is not only an organizational level phenomenon. In a nutshell, my thesis shows the inseparability of the developmental strategy and organizational strategies in case of state-owned developmental enterprises. The other theoretical contribution is that my study incorporates emerging realities in the organizational justice arena to explain the strategic change process. That is, it extends OJT in a developing country context (a developmental state context where political intervention is very high). Hence, my thesis shows how pursuing OJT can minimize injustice in the developmental strategic change process through positive resistance and a facilitation strategy.

My dissertation also shows how *'institutional duality'* (developmental objectives as a public enterprise and profit seeking as a business) hurt CBE and Ethio Telecom's strategic competitiveness. This went to the extent of ambiguity about the goals and a loss of identity for CBB. Simply put, CBB's absorption by CBE showed how strategic ambiguity led to identity loss in a non-western context. The absorptive merger case also shows how institutional duplication and ambiguity about the institutional mandates (vision, mission, and strategic objectives) triggered strategic change.

From a processual perspective, my research extends Pettigrew's '*content-process-context'* triangle by adding the impact dimension (a fourth dimension) and stressing its applicability in a non-western context. Though the '*content-process-context'* dimensions are very central, the impact of a stipulated strategic change needs to be appraised holistically. This means that the impact of any strategic change needs to be examined in line with the other three dimensions to appreciate the output (immediate impact), outcome (the medium-term impact), and impact (long-term consequence) of a strategic change especially in the context of developing countries. A strategic change analysis is a futile exercise if it does not consider the possible impact at individual, group, organizational, and macro levels. The added dimension is given in Figure 7.1.

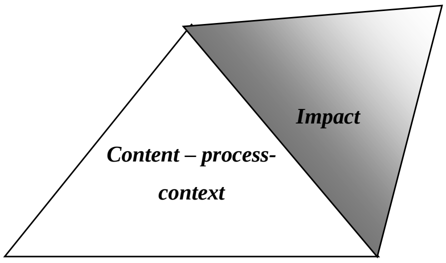


Figure 7.1: The fourth added dimension to the content-process-context triangle

Various researchers have studied the financial aspects of M&As. But, the human side, and the psychological and behavioral effects have not been sufficiently examined (Hogan & Overmyer-Day, 1994, as cited in Seo & Hill, 2005). Thus, my research advances our understanding in this regard. It elaborates on how 'separation anxiety' resulted in organizational distrust among the retained employees after the strategic changes in Ethio Telecom and CBE. It also discusses the link between organizational identity, organizational justice, and strategic change by taking the case of two public corporations in a developmental state context.

In conclusion, this thesis substantiates the application of OJT in employee redeployment and assimilation processes during major strategy reorientations. The integration of justice concepts in managing organizations by developing and implementing fair organizational practices is supported by the findings of my dissertation which also indicate that employees placed more value on interactional and informational justice aspects in the case companies while taking strategic decisions due to the collectivist culture in the country.

7.3 Practical implications

The strategic transformation of ETC to Ethio Telecom separated the bone and flesh of the telecom company by ignoring the human side (that is, the soft but intrinsic part of the company like social bonds and emotional belonging) and investing more in extrinsic elements (systems, software, and physical and financial resources). It is undeniable that there was a rapid expansion of the customer base from roughly 7 million to more than 50 million (64.23 million in 2017), and modern technologies and products were being introduced. Earlier, the focus was on urban areas but now access to rural areas is also being realized. However, because of erosion of organizational trust and emotional detachment, the employees became selfish, fraudulent, and irresponsible after the strategic change. The new blood (young employees) versus old employees divide and identity clashes also came on to the agenda. This led to organizational and team spirit being discarded from Ethio Telecom's culture despite efforts to restore it. The corporate transformation brought about individualism and egocentric styles. Therefore, a lot of work still needs to be done in this regard.

Along similar lines, the merger between CBE and CBB did not result in a significant increase in market share since most of CBB's clients were already CBE's clients as well. However, the number of clients increased slightly because of the merger since new clients were added to CBE from CBB. In addition, the merger did not result in any reduction in operating costs. A major reason for this can be the absorption of all CBB's employees after the merger. The merger also did not bring about geographical expansion as CBB had not gone further than CBE in terms of reach. Regarding capital, there was a roughly 2 percent overall increase in capital because of the merger, which is insignificant given CBE's size. The good side of the merger is that CBE has gained an experienced manpower which also has the required expertise. In addition, the merger has brought more than 100 branches, physical offices, and some assets to the bank. The flip side is that CBB employees have had to deal with feelings of losing organizational ownership/citizenship (Ehrhart, 2004). Thus, the execution of the merger process was affected by employees having low levels of both individual and group level organizational citizenship behavior (VanYperen et al., 1999).

On the positive side, the *yikotibu yishelemu* (*save and win*) strategy and an aggressive door-to-door resource mobilization strategy that CBE pursued is igniting the industry and also the other sectors. The strategic changes in CBE also helped in changing its nick name from *giant and sluggish* to *giant and agile*. All activities, be it technology, HRD, or operational streamlining on process-based platforms have been aligned with its strategy derived from the government's developmental orientation. The bank's strategy is derived from the country's GTPs. As a new strategic initiative, CBE launched a world class customer contact center that is equipped with modern technology to achieve service excellence (that is, 951) on February 10, 2018. The same initiative was also undertaken by Ethio Telecom (the 994 call center). In general, Ethiopia is progressing well on its accession to WTO. The government is working proactively to create strong institutions that will be able to withstand the competition that is anticipated from multinationals in the future.

In the future, better customer satisfaction, an improved quality of services, and a developed HR for sustaining the momentum of the change is expected at Ethio Telecom. The Telecom Excellence Academy (TEXA) has been established for achieving this. As a business company, Ethio Telecom should not sit and wait. Besides, Ethio Telecom is a technology company and technologies keep changing dynamically all the time. Thus, it should follow world technological trends and update itself as a learning organization. New telecom services should be introduced, efficiency should be enhanced, and the existing business processes should also be revisited from time to time. One should not expect that everything will be done in a business as usual manner; instead innovative ways of doing things should be introduced as per the demands of the time. Ethio Telecom aspires to be world class service provider and so it is not focusing on quantity alone, as it is also aspiring to improve the quality of its services at the same time. It is not the income or revenue that it generates which will make Ethio Telecom world class, but adoption of modern technologies and a focus on quality as a central concern. Its coverage is good but a lot still needs to be done for enhancing quality.

Ethio Telecom expects that this transformation will bring about improved technologies, capacity, knowledge, and attitudes which will result in its holistic development. For instance, five years ago, customers complained about telecom services. But, over time Ethio Telecom's services have been improving and will be better in the future with improved technology deployment and incremental transformations. Transformation is not a one-time activity, but it needs to be revisited again and again. Therefore, Ethio Telecom is expected to continue delivering better services, quality, and revenue. Surprisingly, ETC's 13,000 old employees decided all telecom services but now Ethio Telecom's management has created a new company for the retrenched; 60,000 to 70,000 voucher and SIM card sellers; and more than 100,000 sub-distributors of ET's products throughout the country, which is huge employment creation. In the technology expansion area, ET is creating national capacity as witnessed by the involvement of micro and small enterprises. This improved national capacity will lead to improved development.

However, there are also some emerging trends. For example, in all business processes, new things as needed are being approved after the change. As time passes, there will be new happenings which will necessitate amendments which might be taken as a direct result of the transformation.

Regarding the strategic implications of its transformation, ET is seeing some benefits. ET did not have clear policies and procedures in the past. But now, there are more than 140 documented procedures and policies and more than 500 business processes. Previously, there was no business process. Now the eTOM framework is not rigid and will change as per emerging demands. For instance, when ET designed its business processes, the eTOM framework was at version 8.0. Currently, it has reached version 16. As newer versions come in, new features and technologies will be incorporated into the eTOM framework. In this regard, Ethio Telecom is also expected to update its business processes if found beneficial for the company. This implies that as new versions are adopted, the benefits that the company will derive will also increase and customer services will expand. As a technology company, when technology changes Ethio Telecom should update its systems accordingly. It must continuously scan world trends and update accordingly. Thus, the company's benefits will increase, and customer satisfaction will improve.

Further, perceptions of employees in the branches and at the lower levels in the headquarters is that Ethio Telecom has not yet transformed fully. This begs further quick wins and incremental changes to enable the transformation to stand on its own legs. In the future, if ET does not work proactively to balance the complacency that it had because it was a monopoly and increasing customer demands, customer satisfaction will go down. The progress that has been made so far should be enhanced and it should also be inclusive. Further, customers have diverse demands. Some customers want to exploit technology to its fullest and there are also others who do not receive proper basic services. So, '*tele-density'* needs to be enhanced further (Markova, 2008).

In CBE, the process development has removed individual thinking and replaced it with mutual collaboration among employees and good team spirit. Working individually is like clapping with one hand. In CBE, there is also a movement from centralization to decentralization at the district level. Because of this shift in strategy, a lot of young graduates are moving to the banking sector via CBE. Paradoxically, at Ethio Telecom, the top management's 'kratocracy' started with the transformation and continues to deepen power for a few groups (Beeson, 2004). This will strategically threaten and make the telecom business unstable. If strategic change is for the sake of development, all stakeholders should be made to buy the agenda rather than resisting it. No rational being rejects clever ideas amenable to logic, ethics, and truth. Hence, bringing in a just and good strategic change for development is a must. Further, politico-institutional duality and state dominated business practices because of the government's developmental agenda will stunt private establishments and thus, the government needs to give this a cautious look. If the government is to create one political and economic society, it should neutralize any kind of compartmentalization in its development enterprises including CBE and Ethio Telecom. Besides, the strategic threats that Ethio Telecom and CBE are facing including ethnic-enclaving of business, lack of diversity in the labor force, politicizing businesses, embedding strategic change actions in the government's interests, and strict regulatory control in a changing banking industry necessitate that the macro-policy be revisited. In conclusion, to remain strategically competitive, CBE should reorient itself by moving away from aggressive branch expansion to developing existing branches so as to consolidate its strategic efforts.

7.4 Limitations and future research directions

Since this is a qualitative study, unlike statistical generalizations amenable to the whole population the generalizability of its findings is limited to theoretical generalizations. The generalizability of the findings is also limited to the case studies in their temporal and place dimensions. However, one advantage of the in-depth case studies is the discovery of realities in a developmental state context, which is unique in many respects. Another possible limitation of this study is the exclusion of foreign consultants in the data collection process especially in the case of Ethio Telecom since access to such consultants was very difficult. However, this limitation is minimized by the inclusion of key informants who were working with FT consultants at the time of the transformation and there was enough interaction with them through informal tracing.

Future research on strategic change can consider developmental heterogeneity in modeling the effects of strategic changes in banking and telecom businesses. This thesis also shows the necessity of using multiple/meta theories to address the multidimensional nature (complexities) of strategic change in the context of a developing country and also related to Africa at a continental level. Besides, to have a broader understanding, additional comparative case studies including private establishments, party-affiliated businesses and in pure public service organizations are recommended to know how developmental strategic changes are affected by the type of ownership. Methodology wise, conducting a similar research using a mixed-approach might shed further light in the area of developmental strategic change research. Scant attention to firms' differing institutional contexts in Africa persists, thus exploring such contexts is crucial for a better understanding at the continental level.

To build a full-fledged body of knowledge in the area of developmental strategic change and strategic metamorphosis in general, I call upon future research in areas of professionalism in strategic organizational change management in the context of developing nations; management contracting during major corporate transformations; studying the disparities between practicing managers and the academia on resistance to change; the invisibility of change leadership; nocturnal communication during strategic change; and the moderating role of political affiliations between strategy reorientation and organizational justice. Lastly, I recommend replicating my study in other contexts for universality of the theoretical generalizations that I make.

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Appendix

Sample Interview Guideline

I. Semi-structured Interview Guideline (Ethio Telecom – Case 1)

1. **Introductory remarks**
   - Greetings and welcoming
   - Introducing identity of the researcher and purpose of the research
   - Briefing about the nature, objective and tentative duration of the interview
   - Consent on willingness to record the interview and maintaining anonymity of the interviewee!
2. **Background information**
   - Qualification, level of education and specialization
   - Position and functional responsibilities at Ethio telecom
   - Business process mandate areas
3. **Pre-transformation changes**
   - What were the major changes observed at ETC starting from name changes at various times in the past? What have been the most important aspects in this regard?
   - Can you tell me the strategic implications for the telecom company?
4. **Content**
   - Can you tell me about the corporate transformation at Ethio telecom?
   - Can you tell me about the massive downsizing at Ethio telecom?
   - What can you tell me about the management contracting to a French telecom company during strategic transition?
   - As per your understanding, what do you think are the central aspects of the corporate transformation project?
   - What is your perception of the corporate transformation and its impact on your work?
   - Do you think that it is a top-down imposition?
   - Can you tell me about the results of transforming ETC?
   - Can you tell me about the communication platforms during transformation of ETC?

- Can you explain the nature of resistance during transforming ETC?
- What are the unique features of this corporate transformation project?
- Can you tell me what you feel when the transformation was initiated and after it was implemented?
- Were there some awareness creation platforms about the transformation project? What kind?

5. Antecedent

- What were the main antecedents of transforming ETC?
- What were the causes of management contracting to a French telecom company?
- What were the main antecedents of the massive downsizing of employees?

6. Process

- How had the transformation process unfolded?
- What do you know about TPO office? How was it formed?
- How did you see the placement process? Is it from the top to down the hierarchy or vice versa?
- Who had been the authoritative person to pass on placement decision?
- What were the key /critical phases or milestones during transformation of ETC?
- How was the change process managed?

7. Transformation Activities and Employees' Participation

- Who had been leading the transformation and primarily held accountable for the process?
- Can you tell me about your part during transformation, if any?
- What were your specific roles during restructuring?
- What can you tell me about readiness to the transformation?
- Did the transformation got support from stakeholders? In what way?
- With whom have you had any affiliation within Ethio telecom (formal and informal)?
- What can you tell me about the reactions to the transformation effort on employees' side, if any?
- What can you tell me about the injection of experienced top managers from other organizations to facilitate and lead the transformation?

8. Outcome

- What is your evaluation of the transformation project?
- Can you tell me about the mechanisms of performance monitoring and measurement during the transformation process? To whom was the central responsibility bestowed?
- Can you tell me about the feedback loop during the process of transforming ETC? Are corrections taken on progress?
- Can you tell me about the critical constraints and enablers possibly observed owing to the transformation work?
- Can you tell me your expectation from the transformation?
- What are the possible consequences of the corporate transformation in the near future?

9. Context

- How did the organizational resources affect the transformation?
- How do you explain the impact of environmental conditions in the transformation process?
- What can you tell me about the inhibitors and enablers (including power, readiness to change, resistance to change, CEO succession, etc?) while transforming ETC?
- In what way was the process specific to Ethiopia?
- What did you believe would have been different if it had happened in another country, like Rwanda (or other)?

10. General Questions

- If you were the transformation decision maker, do you think that you could have done it uniquely? What things would you have done and not done in comparative terms?
- What additional issues/things would you want to raise as connected to the transformation agenda?
- What is your general impression on the corporate transformation project?
- Can you recommend me another person who is near to the transformation effort and is resourceful to complement my research?

II. Semi-structured Interview Guideline (CBE – Case 2)

1. **Introductory remarks**
   - Greetings and welcoming
   - Introducing identity of the researcher and purpose of the research
   - Briefing about the nature, objective and tentative duration of the interview
   - Consent on willingness to record the interview and maintaining anonymity of the interviewee!
2. **Background information**
   - Qualification, level of education and specialization
   - Position and functional responsibilities at CBE
   - Business process mandate areas
3. **Pre-merger changes**
   - What were the major changes observed at CBE and CBB starting from name changes at various times in the past? What have been the most important aspects in this regard?
   - Can you tell me the strategic implications for the banking industry?
   - Can you tell me about BPR at CBB?
   - What can you tell me about the triggers for merging CBB and CBE?
   - In your view, what will be the strategic implications for private banks and for CBE?
4. **Content**
   - What can you tell me about the business process reengineering at CBE?
   - What can you tell me about the massive attraction of professionals at CBE?
   - What can you tell me about the merger of CBB and CBE?
   - What can you tell me about the transition phase in merging CBB and CBE?
   - What are the most important aspects of the merger project?
   - Was the absorptive merger a top-down imposition? Tell me how you perceived the merger project and actions taken.
   - Can you tell me about the outcomes of merging CBE with CBB?
   - Can you tell me about the communication platforms during merging?
   - Can you explain the nature of resistance during merging CBE and CBB?
   - What are the unique features of this merger scenario?

- What other issues were of central concern during reengineering the process and merging the two banks?
- Can you tell me what you feel when the merger was initiated and after it was implemented?
- Were there some awareness creation platforms about the merger project? What kind?

5. **Antecedent**

- What were the main antecedents of merging the two big banks?
- What were the main antecedents of reengineering the business process at CBE?
- What were the main antecedents of massive attraction of university graduates at CBE?

6. **Process**

- How had the merging processes unfolded?
- What were the key /critical phases or milestones during merging of the banks?
- How did you see the placement process? Is it from the top to down the hierarchy or vice versa?
- Who had been the authoritative person to pass on placement decision?
- How was the change process managed?

7. **Process Reengineering, Merging Activities and Employees' Participation**

- Can you tell me about your part during the process reengineering and the merger case?
- Who had been leading the merger project and primarily held accountable for it?
- What were your specific roles during the merger?
- What can you tell me about readiness to the merger project?
- Did the merging project got support from stakeholders? In what way?
- With whom have you had any affiliation within CBE or CBB (formal and informal)?
- What can you tell me about the reactions to the merger project on employees' side from both banks?
- What can you tell me about the injection of fresh graduates from Universities to CBE as connected to the merger scenario?

8. Outcome

- What is your evaluation of the merger project?
- Can you tell me about the mechanisms of performance monitoring and measurement during the merging the process? To whom was the central responsibility bestowed?
- Can you tell me about the feedback loop during the process of merging CBB with CBE? Are corrections taken on progress?
- Can you tell me about the critical constraints and enablers possibly observed owing to the merger work?
- Can you tell me your expectation from the merger project?
- What are the possible consequences of the merger between CBB and CBE in the near future?
- What do you think will be the main issues regarding the merging in the future?

9. Context

- How did the organizational resources affect the merger?
- How do you explain the impact of environmental conditions in the merging process?
- What can you tell me about the inhibitors and enablers (including power, readiness to change, resistance to change, CEO succession, etc.?) while merging the two banks?
- In what way was the merger process specific to Ethiopia?
- What did you believe would have been different if it had happened in another country, like Rwanda (or other)?

10. General Questions

- If you were the merger decision maker, do you think that you could have done it uniquely? What things would you have done and not done in comparative terms?
- What additional issues would you want to raise as connected to the merger agenda?
- Can you recommend me another person who is near to the merger effort and is resourceful to complement my research?
- What is your general impression on the merger of the two banks?