

# **Why Sri Lankan State-Owned Enterprises Continue to Make Losses: A Special Case Study on a State-Owned Enterprise in Sri Lanka**

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## **INTRODUCTION**

Usually, most of the economies are controlled by the private sector as well as the public sector. Out of those two sectors, the government sector mainly focuses on ensuring the social wellbeing of the community. State-owned enterprises are the enterprises that are under the control of the government in respect to their countries. And they can be considered as the backbone of many developing economies as they create the enterprises in areas they are hoping to grow and encourage economic development.

Moreover, those State-owned enterprises have always become an important element in most of the developing and developed economies signifying it as a common feature around the world. In most of the countries, state-owned enterprises are focusing on providing infrastructural facilities like electricity, transportation, water and telecommunication to achieve various objectives within their economy. Decreasing the unemployment rate, promoting regional development, accumulating foreign currency, having control in domestic inflation and providing protection for declining industries while strengthening the technological industries are some examples for them (Lewin, 1981). And these state-owned enterprises could be predominantly seen in the countries like China, the United States of America, India, New Zealand, South Africa and Sri Lanka.

Meanwhile, 55 largest state-owned enterprises in Sri Lanka have lost more than 59 billion rupees during the first quarter of 2019 making a public engagement in enterprises a considerable burden. Out of them, Ceylon Electricity Board (CEB) represents a 23-billion loss which is considered to be the largest loss maker within this year(News First,2019). At the same time, it has incurred losses during the past few years as well. Accordingly, CEB has incurred huge losses like 14.5billion, 45.7 billion and 25 billion in respectively 2016, 2017 and 2018(Divaina,208). Hence, this study mainly focuses on identifying the causes that led to losses in the CEB in relation to the management functions and the developing trends. There are 4 main objectives that have been addressed under the above-mentioned problem as follows.

- 1) To identify the utilization of Management functions and developing trends y Ceylon Electricity board during the past three years.

- 2) To identify how the management functions have affected their performance.
- 3) To identify how the developing trends have affected their performance.
- 4) To identify the most contributing factors for the losses they have incurred during the past three years.

There is also a research gap in identifying the factors that led to losses in the CEB and other state-owned enterprises in terms of management functions and developing trends. This fact motivated the researcher to conduct this study with the intention of identifying the root causes that led to those losses in relation to management functions. Nevertheless, CEB could identify their strengths and weaknesses in planning their future while getting an idea on the way of coping up with the developing trends by effectively responding to them through the findings of the study.

## **LITERATURE REVIEW**

Several studies (Yahya, 2012; Luqmani & Quraeshi, 2011, as cited in Booney, 2015) have identified that the role of state-owned enterprises (SOE's) was crucial throughout the world regardless of the democratic, communist, and socialist economies. Acquisition or consolidation of economic or political power, as a historical heritage, a method of stagnating and preserving the existing state and as a sensible or reliable response for economic problems are some of the reasons for the establishment of state-owned enterprises (Wang, Hong, Kafouros & Wright, 2012, as cited in Booney 2015). Creating and controlling strategic monopolies, promoting economic development and intellectual branding are some of the roles played by the SOE's for economic development (Xie, Li, & Li, 2012, as cited in Booney 2015).

Though the SOE's have been created due to various other reasons like achieving national goals and increasing economic efficiency, they are mainly focusing on promoting political views rather than their business profitability (Ayee, 2013, as cited in Booney, 2015, p. 18). So, this shows inefficiency in the state enterprises which is a huge failure compared to the private sector companies.

Moreover, SOE's can be considered as social enterprises that are mainly contributing towards the infrastructural facilities like power, water, railway, telecommunication which would help to satisfy the basic needs of the citizens. Therefore, electricity or power plays a major role in the fast-moving economy where most of the companies tend to work with the technologically based systems that make their work easy.

Furthermore, the operations related to the electricity sector is different from one country to another. Coal Dominated Hydrothermal system in India, electricity system in Canada with varied ownership and regulatory framework across provinces connected to systems in United states and nuclear-

dominated power system in France which interconnects with their neighbouring countries are some of the examples for them (Wilson, Yang & Kuang, 2015).

### **General Management Functions In An Organization**

As per Henry Fayol (as cited in Murugesan, 2012), management is “the process of planning, organizing, leading and controlling”. As well as it could be identified as getting things done by other people. The people who are responsible in conducting the above process can be identified as the managers. And they should possess different skills like conceptual, technical, human management, decision making and problem-solving skills in order to achieve their organization's goals and objectives successfully. Regardless of their ownership status, many of the organizations are focusing on these 4 functions in order to achieve their objectives. And these 4 main functions are performed in accordance with different departments like human resource, marketing, financial and research and development divisions in order to achieve their objectives relevant to them.

The first main function, ‘Planning’ involves determining the future goals and the course of actions in expectedly achieving those goals. Simply, the purpose of planning is to establish the ways of achieving the designed goals efficiently and effectively. Thus, in order to achieve this goal, we need to be clear about the current state, future expected state and the ways of achieving that future expected state. Also, it is a predominant function that is performed by many organizations as their first management function out of all the other functions (Spoelder, Lockwood, Cowell, Gregorson & Henchman, 2015).

Furthermore, the corporate plans would include the overall objectives of the entire organization as well as their vision or desired future state of the organization. Usually, these are the plans which created for 10 years while having rescheduling plans in every year (Spoelder, et al., 2015). At the same time, there should be plans relevant to human resource management, marketing management, financial management, risk management and operations management relevant to an organization. Also, these are mostly created by state-owned enterprises, private organizations as well as NGO’s in achieving their expected goals and objectives (Spoelder, et al., 2015).

The second managerial function out of the 4 managerial functions is ‘Organising’ and there are various decisions for this function as well. According to Certo and Certo (2010), “It is the process of establishing orderly uses of all resources within the management system”. In other words, it is the way of determining the place of decisions, people responsible for various tasks and the responsibility of one person towards another. Also, it can be considered as an integration and combination of human, physical and financial resources in a process to achieve the planned goals and objectives in an effective and efficient way. So, the manager should organize the organizational resources to achieve the expected results (Management study guide, 2020).

Leading is the main function that involves in motivating and influencing employees to work efficiently in order to achieve the set organization goals and objectives. It can be considered as the way of directing people towards organizational goals and objectives by motivating them in performing their responsibilities in a proper way. At the same time, managers are the persons who are responsible in leading their subordinates to achieve the goals and objectives of their organization. So as a result of that, organizations are consisting of top level, middle level and lower level managers based on their experiences, skills, and education in motivating their employees to achieve the organizations goals in an expected way.

Controlling is the last management function which is concerned on the progress of the goal achievement and taking corrective actions when it is being needed. And the basic control process involves in setting standards in achieving organizational goals and objectives, comparing the actuals with real performance and taking corrective actions to achieve the performance as per the set standards of the organization.

Also, it can be considered as “the regulation of organizational activities in such a way as to facilitate goal achievement” (Griffin, 2013). According to Griffin (2013), there are four main basic purposes of this controlling function as adapting to the environmental changes, limiting the accumulation of error, coping up with the organizational complexity and minimizing cost relevant to the organizational activities. So properly designed control systems would help to achieve the organizational goals and objectives effectively.

### **Human Resource Management**

According to Agarwala (2002), most of contemporary business organizations are in high competition in order to achieve their objectives in a maximum way. According to Pfeffer (1994, as cited in Agarwala, 2002, p. 316), human resource assets can be considered as the greatest asset due to various features like intangibility, uniqueness and difficulty in imitating them. So, the effective management of the human capital could be the ultimate factor for organizational performance (Huselid, 1995; Reich, 1995, as cited in Agarwala, 2002, p. 316). Therefore, management of human resource factors using the extrinsic rewards and intrinsic rewards may cause to increase their satisfaction and motivation that would ultimately result in achieving the organizational performance.

According to Stoner (2005: 19, as cited in Sutiyono, 2007), human resource management refers to “policies, practices and systems by which a firm recruits and deploys its workforce, and influences employees behaviour attitudes and performance in pursuits of its goals”(p. 378). Simply it is the way of managing people who are considered to be the navigators of an organization. So, managers in different levels and other employees are the people who are pioneers in taking decisions relevant to management activities in the organization (Sutiyono, 2007). Therefore, it is the human resource function that is responsible for selecting and positioning skilful individuals and providing them with

proper incentives that enable them in making effective decisions. Because the performance of an organization is highly dependent on human resource management relevant to that organization. (Sutiyono, 2007).

As per literature human resource management mainly focused on areas like recruitment, training and development, performance management and remuneration in relevant to an enterprise.

### **Financial Management**

Financial management refers to the planning, organizing, directing and controlling the financial activities of the organization. Many empirical studies stated that most of state-owned enterprises are inefficient than private sector corporations due to several reasons. Tuckman (1985), describes that the private sector is more efficient than the public sector by referring to different reasons that cause to signify the above-mentioned inefficiency related to public sector organizations. "Moreover, the public sector in many countries include loss making companies that government acquired for non-economic reasons" (Ayub and Hegstad, 1987, p. 84), proved the inefficiency of state-owned enterprises.

Furthermore, financial management involves in managing financial reports like Statement of comprehensive income, Statement of changes in equity and Statement of financial position in relevant to an organization irrespective to their nature of the ownership. As per many empirical studies, there was high inefficiency related to the financial performance in relevance to state-owned enterprises. And, it is said that financial management, human resource and corporate governance strategies depend on each other. Because based on the strategies we tend to forecast our future financial performance out of past data.

### **Corporate Governance Strategies**

Corporate governance is the structure used by the organization to set their objectives and determine the ways in achieving those objectives while monitoring their performance (Ungureanu, 2012, as cited in Booney, 2015, p. 33). Also, it is identified that the success of any small or large organization depends on the governance structure relevant to it (Ungureanu, 2012, as cited in Booney, 2015, p. 33). Strategies used to administer organizational performance could be known as governance strategies which aim at people, processes or technology to bring about needed changes to increase the efficiency and effectiveness of the organization.

Moreover, for effective public administration, it is essential to have strategic management as the main management process in integrating the organizational functions and activities for the achievement of the organizational strategic agenda.

According to Miller (1989), strategies are the plans, frameworks and techniques used by the organizations for a foreseeable future. In other words, it involves the methods of strengthening the

long-term viability or the sustainability of the organization. Also, they are the tools that are used by the managers in eliminating threats for their survival while exploiting the opportunities in a way of maximizing their wealth and security (Miller, 1989). So, this research has identified the planning, organizing, leading and controlling relevant to the above-mentioned strategies.

### **New Trends in the Industry**

With the development of technology and globalization, every industry is coming up with new trends specific to their industry. So many organizations relevant to that industry must adapt to it in order to sustain themselves in the market. With the globalization, many private organizations tend to digitalize their manual working systems which is different from the public sector. Therefore, as a state-owned enterprise, it is better to adapt different techniques like digitalizing the functions coming up with innovations and utilizing environmentally sustainable practices other enterprise resource planning systems that would cause to enhance the efficiency and effectiveness of the organization.

As per Mishra (1996, as cited in Agarwala, 2002), having positive attitudes for innovative ideas while focusing on the new trends are the ways that can be used by HR professionals to have a continuous focus on innovations.

Moreover, HR professionals should continuously focus on innovations by reacting positively to new ideas and trends in order to sustain in this turbulent environment (Mishra, 1996, as cited in Agarwala, 2002, p. 317). As per Mishra (1996, as cited in Agarwala, 2002, p. 317), designing innovative HR interventions ensures the employee's voluntary reactions to the organizational activities which ultimately leads to the success of them as well. Accordingly, CEB could utilize various new techniques to develop the employee capabilities while increasing employee satisfaction as well. Also, CEB could digitalize the databases and utilize the enterprise resource planning systems that would cause to enhance the efficiency and effectiveness of their activities.

And in this era, many organizations tend to perform their activities in an environmentally friendly manner. Also, this has become a competitive strategy that is being used by the private sector and the state-owned enterprises in ensuring their sustainability within the market. So, the environmental policy which is being used by the Ceylon electricity board in Sri Lanka can be identified as an example for the above-mentioned thing. And in that policy, they ensure environmental friendliness in relation to their business activities (Ceylon Electricity Board, 2016). Also, they ensure their transparency in relevant to their environmental issues that enable in obtaining the confidence of their stakeholders like customers, authorities, employees and owners (Ceylon Electricity Board, 2016).

Further in identifying the main causes for the CEB loss in relevant to the Management functions and developing trends have carried out through the divisions like Financial Management, Corporate Strategy and Human resource divisions of the CEB.

## **RESEARCH METHODOLOGY**

Since this is qualitative research, it associates with the interpretivism philosophical foundation which supports in understanding the contextual nature of the current situation. This study relates to exploratory purpose as it mainly focused on getting a sound understanding of how the CEB has utilized the management functions and developing trends during the past three years while identifying the developing trends while recognizing the main causes that led to the CEB loss.

The case study research strategy was applied in order to achieve the objectives of this study. According to Cohen, Mannion & Morrison (2007, as cited in Mufleh, 2016) “it is an investigation into a specific instance or phenomena in its real-life context” (p. 3). The Ceylon electricity board can be considered as the case site relevant to this research study.

The purposive sampling technique was used in gathering data that focus on sampling with a purpose relevant to the study. Nine participants representing financial, human resource management and corporate strategy divisions have interviewed in gathering data relevant to this study. They were consisted of 3 top managerial employees from each of the above-mentioned divisions. The rationale for selecting this sample is mainly with the assumption that the reasons for the past few years’ loss would cause due to the problems of the above-mentioned divisions of the Ceylon electricity board. Also, employee related problems as well as customer related problems are mainly addressed through the human resource division which caused to select it in gathering information regarding the objectives of the study. Also, the top management employees were interviewed, as they are the ones who were engaging in these management functions within an organization.

As a qualitative researcher, data related to this study has mainly been gathered through primary and secondary data sources relevant to it. Individuals within the staff of this organization were used as primary data sources whereas the Journal articles related to inefficiencies of the state-owned enterprises, newspaper articles, annual reports, and other published books of Ceylon Electricity Board represent the secondary sources that have been utilized in collecting data for this research problem.

Semi-structured interviews and non-participative observations are the two main techniques that I have used in generating primary data relevant to this study. Out of them, semi-structured interviews were taken a prominent place where I have conducted 9 interviews with the top managerial employees with 15 minutes for each participant due to their time constraint and busy schedules.

The rationale behind the semi-structured interviews is to obtain a detailed contextual understanding of the management functions in Ceylon Electricity Board through good interaction with the participants of the study. Also, it is a flexible method that could be changed based on the situation caused to choose this technique as well.

In addition to the semi-structured interview method, I have used the non-participant observations in identifying their inefficiencies as well. The rationale behind this technique is to observe the behavioural nature of the employees in performing their duties in the planned way or not. The ability to generate reliable data which is free from participants' biasness is the main advantage of this technique

The thematic analysis technique was applied to analyze the generated data relevant to the research study. As the first step in this analysis, I have familiarized myself with the data by reading and re-reading the transcribed data gathered through the semi-structured interviews. Secondly, initial codes were generated by organizing the gathered data in a meaningful and systematic way. Thirdly themes were identified by capturing the significant intersecting ideas that are within the gathered data. Then those themes have reviewed. After that, the themes have defined intending to identify their essence and interpreted based on the objectives of the research study (Barun &Clarke,2006, as cited in Maguire & Delahunt, 2017, p. 3354).

Since this is qualitative research, I have become a part of this research where the interpretations would be subjective to the research site and the context of it. Ensuring the privacy and confidentiality in relevant to the data provided by the participants, getting prior permission in gathering data, preventing in the usage of real names and other details of the participants while obtaining the verbal consent in order to use the name of the Organization are some ethical matters that have considered in conducting this research.

## **DATA ANALYSIS AND DISCUSSION**

Planning related problems in CEB, Nature of organizing, Way of leading employees, the role of controlling, Identification, and usage of developing trends within the market are the main themes that I have identified under this study.

### **Planning Related Problems in CEB**

Usually, there are mainly 4 management functions as planning, organizing, leading and controlling relevant to organizational activities and resources (Griffin, 2003). Out of them, planning was identified as the most important function out of the above mentioned 4 management functions. According to Griffin (2013), Planning can be identified as a way of planning organizational goals while deciding the means of achieving them. This process usually takes place within the environmental context relevant to the organization. Moreover, planning can be done to different resources like financial resources and non-financial or human resources to achieve the organizational vision efficiently and effectively. And the planning relevant to CEB has been identified under three main categories as financial planning, corporate planning and human resource planning as follows.



A financial plan can be defined as a plan that is developed estimating the fund requirement of a business while determining the sources for them. Also, it consists of generating a financial blueprint or a budget for the organization's future activities (Foster, 2017). Budgeting is one of the main activities of planning in an organization (Pietrzak, 2014, as cited in Foster, 2017, p. 18). At the same time, it represents a controlling tool in the management functions (Chenhall, 2003, as cited in Foster, 2017, p. 18). Thus, as per many scholars' budgets are not only a controlling tool but also an innermost part in many organizations planning process (Foster, 2017).

In the interview process, many of the managerial employees have highlighted the word budgets to explain the planning process as well. And it can be observed through the response given by Mrs A representing the corporate strategy as follows.

“As an accountant, I am mainly doing the budgeting activities as the planning process. Future payments will be planned while balancing the cash flow. Then huge shortage will appear. After that the future things will be planned in this week itself. Other than that, the budgeting side will be done”.

So, she also signifies that she is engaged in budgeting while planning the future payments and balancing the cash flows in planning activities within their division.

On the other hand, it is essential to properly plan the unit price of electricity compared to the generating cost of it to achieve their objectives expectedly. But as per many participants, they do not have a proper unit price that could cover their unit generation cost. Since this is a state-owned enterprise, most of the decisions relevant to them are taken by the government by considering various factors like social wellbeing and the welfare of the society. As per government policies, there are three types of tariffs as domestic, industrial and religious tariffs relevant to the electricity sector in Sri Lanka. As there is no domestic tax renewal since 2013, they were unable to generate the required revenue according to their cost. And it could be observed through the response given by Mrs P in the financial division as follows.

“We are not selling an electricity unit as per the cost of generating it. Also, our regulator or the government doesn't provide an opportunity to increase our income as well. Think that if we are incurring a cost of Rs.20 per unit. But we are selling it for Rs.16. So, if we unable to achieve above Rs.4 anyway we are incurring a loss”.

So, it is crystal clear that the gap between the government policies and the financial planning relevant to their organization has acted as the main cause for CEB loss during the past few years.

And they have failed to implement their plans in the planned manner while not implementing the least cost plants to generate electricity which can be observed by the response given by Mrs D in the Human resource division as follows.

“When there is lack of water, we normally generate electricity using diesel and coal. However, we generate electricity more from diesel which is high in cost value..... Also, we haven’t properly implemented the power plants which leads to this loss as well. Otherwise we could have reduced the cost per unit by moving from high cost power plants to low cost power plants”.

So, the above response signifies that there is no proper implementation of planned coal, L and G gas instead of diesel power plants. But if they have implemented their plans properly by moving from high-cost methods to low-cost methods, they could have reduced their cost while effectively increasing their profit.

As per Mr M in the financial division, they could have reduced their cost by improving their internal processes which have been identified as a factor for their loss.

“secondly we can get something by improving our internal processes as well. But it is not substantial as the revenue per electricity unit issue..... Therefore, secondly we should improve our internal processes while improving efficiency and optimizing cost.”

So they could reduce their internal processing cost by methods like automating systems, reducing overtime hours while reducing improper high-cost power plants with the unnecessary expenses for various events.

Under the corporate planning, they have aligned their corporate activities based on the vision, mission and 6 goals in relation to the CEB.

According to Mr M from the financial division,

“When we are planning, we normally make a corporate plan. So, with the corporate plan, we divide our tasks in a way of aligning them with the strategies and the things in the corporate plan as well. So, we have made it based on our requirements.”

So he signified that the corporate plan provides a significant role in planning the activities of the organization to achieve the goals of the organization. At the same time, literature has identified a corporate plan as a business improvement plan which examines the internal resource to get the external advantages (Levinson, 2018).

Under human planning, they have come up with certain plans on employee recruitments and employee training plans based on their requirements. And it can be signified through the answer given by Mrs D of the human resource division as follows.

“First of all, normally we make a human plan for every year in the previous year. If it is for year 2020 employee plan would be created in year 2019. In that moment, the work norms will

be given mentioning the required amount of people needed to perform various tasks within their organization. So, based on that the total amount of employees required for the Ceylon electricity board will be created through a human resource plan.”

So it explains how they planned the total number of employees needed to perform the tasks of the organization. Further, they planned the training needs of the employees through their training branch as well.

### **Nature of Organizing**

Under the nature of organizing, they have mainly come up with job specifications including responsibilities relevant to specific job roles which ultimately result in job specialization in that position. For an example, it can be observed through the response given by Mrs P from the financial management division as follows.

“Now everyone has a job specification. Either an accountant, clerk, pion likewise everyone has a specific job specification for themselves. Everyone for every layer would be recruited by giving a job description while having an orientation programme for them.”

So, the above participant describes the importance of a job specification or a job description for any kind of employee either in the office staff or the field staff. Because it makes them aware of what to achieve and how to achieve them in the standard way while achieving the goals that would enable them to achieve the ultimate vision of the organization. So, it is very much important for an employee as well.

As per many participants, there was an equal job recruitment criterion as qualification-based recruitments for the CEB.

And many of the participants have uttered the word job specialization during their interviews as well. And this can be considered as the starting point of job designing as well. It can be observed through the response given by Mrs M in the financial division as follows.

“If you take the, I joined the CEB as an accountant. Then thereafter I’m getting the experience of the projects handling. So, then I’m becoming the project expert in that. So thereafter I’m moving to the treasury. So, I’m getting that expertise in there. So thereafter I’m expert in that. Like that so you are moving.”

So, the above response shows how they become specialized in a particular area and move towards various jobs based on their supervisor’s advice. So, the supervisors are responsible for identifying the skilful areas of their subordinates. And at the same time, they are responsible in making them specialize in those areas. Also, CEB has a top to the bottom chain of command which is centralized in nature.

## **Way of Leading Employees**

Moreover, the CEB has considered their employees as their internal customers where they have provided monetary and non-monetary rewards to motivate them efficiently and effectively. And it can be observed through the response given by the Mrs P from the financial management division as follows,

“Employees can be motivated through the monetary as well as the non-monetary terms. If we take the monetary terms CEB consists with a good salary package compared to the other state-owned enterprises in Sri Lanka. So that the employees will be motivated in the monetary terms. Other than that, we give bonus. If we take from the non-monetary terms, anyone would motivate if he was able to perform his job in a good way. Therefore, the required training for them will be given always. Also, they will be given the on the job training through their supervisor.”

The above response signifies the importance of monetary and non-monetary rewards given to employees in motivating them towards achieving their work targets as per the expected level. So CEB employees have been provided with monetary rewards like salary, bonuses and medical packages while providing non-monetary rewards like training which cause to enhance their productivity. Also, it could be observed through the response given by Mrs D in the Human resource division as follows,

“There are bonuses, medical claims, medical leave compensations. Other than that, there is a method of claiming 2/3 of interests for loans as well. Those are the things.”

But at the same time, Mr. M in the financial division said that the employees in this organization cannot be motivated using monetary rewards as most of the employees are getting the same allowances where it caused to show the significance in the non-monetary rewards relevant to this organization. At the same time, CEB does not consist of the performance-based incentives system as per the garments that consist of incentives like piece rate incentive schemes, etc. So based on the above facts, employees could be motivated using nonmonetary rewards like employee empowerment, job enlargement and recognition within this kind of state-owned enterprises in Sri Lanka. And the response given by Mr M in the Financial division provides evidence for the above statement as follows,

“As this a government institution, the financial incentives are not applicable for this. Because all of them are getting the same things. The allowance I get would be same as the other. Also, it would be same to the other person as well. There won't be any performance-based incentive method. According to my knowledge, in government institutions, there is no place to have this performance-based incentive. Therefore, we can't drive them using the financial incentives.”

So, the above response signifies that the employees in the CEB cannot motivate through monetary rewards as they do not have a performance-based incentive system. Also, it could be identified as the main cause for the inefficiency of employees that would cause to reduce the productivity within their public sector as well. Therefore, only the non-monetary rewards can significantly impact the performance of the employees as well

At the same time, they have top to the bottom chain of command where it causes to reduce the practicability in some of the decisions.

At the same time CEB which is considered as a state enterprise, should consist with proper political leadership to achieve their goals efficiently and effectively. Because it is mainly governed by the government budget from the point of determining the electric unit price up to the salaries of the employees in it. So, it is essential to have a good political leadership that is free from being engaged in wrongful acts. As per the findings, the unavailability of proper political leadership can be identified as a cause for this loss as well.

### **Role of Controlling**

According to Griffin (2013), controlling can be identified as the regulation of organizational activities in a way that leads to achieving the organizational goals expectedly. In other words, it is like a ship's rudder which directs an organization towards the proper direction as per their preset vision and mission (Griffin, 2013). Usually, a controlling process would consist of mainly the 4 steps as establishing standards, measuring performance, comparing the actual results against the standards and taking corrective actions to achieve the goals in an expected way (Griffin, 2013).

Under the role of controlling, they have used various tools like budgets, progress reports, quarterly reviews, and action plans to ensure the smooth flowing of their activities in a planned way. And it could be observed through the response given by Mrs P representing the Financial management division as,

“Normally budget is a controlling tool. So, in here also it is used as a controlling tool.”

Also, it could be observed through the response given by Mrs. P representing the financial division as,

“There are operational targets and financial targets. So, we must go for both of them. Therefore, using action plans we are looking the employees below the AGM level. We have to provide a progress report by mentioning how we meet those targets. If we take the five-year corporate plan its go like that.”

So, the above response signifies that the corporate plan act as progress reviewing the report to measure the performance while controlling it within the designed targets. Also, it is used to achieve operational and financial targets as well.

Further, strategy discussions, methodology review and employee review are some of the various deviations analyzing methods used by CEB in relevant to their plans as well.

On the other hand, some participants said that the controlling mechanism is not done properly which can be signified through the following responses. As per Mr E from the corporate strategy division,

“yes, we have a crisis relevant to our monitoring and evaluation process. Although the responsibility relevant to monitoring and evaluation process were formulated by our division, responsibility is with in other departments. Sometimes as we don’t have direct intervention it is difficult to do that thing.”

So, the above response shows that the monitoring and evaluation are not being properly conducted within the CEB as well. Because there is a lack of direct intervention from the employees who formulated the monitoring and evaluation responsibilities. So it may cause their loss. Neglecting the electricity payments by other government organizations like the army, hospitals and religious places and frauds and omissions can be identified as main factors that cause loss due to not implementing proper controlling mechanisms relevant to them.

As per Mrs P in the financial division;

“We are not being paid by the government entities.... So, there are duce from government entities, temples, army and navy as well. Though we have duce like that we can’t disconnect the power supply. So, we are always looking to recover without going for the disconnection process at any time.”

So, it shows that they are not going for a disconnection process as their main intention is to provide social wellbeing within the society. At the same time as per Mrs A in the corporate strategy division, the unavailability of a proper controlling mechanism also might lead to this kind of issue which cause to increase in their loss.

At the same time, there are some non-controllable factors relevant to organizational performance. Economic factors like inflation rates, global price rates and natural factors like drought are some of the non-controllable factors relevant to organizational performance. And as per Mrs P in the financial division;

“...there are main source that are used by CEB to generate electricity. Hydro power is a one of them. Thermal oil, thermal coal, electricity generated by external parties are the other sources. So, the amount will be decided based on the amount of rainfall...”

Accordingly, there is a certain mix of sources that are used by CEB to generate electricity for Sri Lanka. Hydropower, thermal oil, thermal coal and electricity generated by external parties are some of the examples of the above-mentioned sources of electricity. But hydropower generation is mainly

based on the amount of rainfall within that period. So having heavy rains would ultimately lead to an increase the hydro generation while reducing the electricity generation through the above-mentioned sources. Also, the rain is a non-controllable factor relevant to CEB structure. At the same time, if there are low rains, they should go for other alternative energy sources to generate electricity which leads to an increase the costs while increasing the loss of this organization. And there was a huge loss during the first quarter of 2019 due to the dry weather which was prevailed in the last few months in Sri Lanka. Because in that case, Ceylon electricity board had to reduce hydro generation while shifting to the high-cost sources like thermal oil.

At the same time, the inflation rates which caused to increase in the price of the thermal oil also caused to increase in the CEB loss. Moreover, the global price rate of coal which is used as a source of electricity generation can be categorized as a non-controllable factor that leads to increased cost, ultimately increasing the loss of this organization.

### **Identification and Usage of Developing Trends Within the Market.**

They have certain developing trends like sustainable business practices, corporate social responsibilities, and technological trends relevant to their industry. Utilization of renewable energy sources in generating electricity, conducting tree plantation programmes, automation of manual systems, and providing online payment methods while introducing credit card facilities are some of the examples of the above-mentioned developing trends.

Further, there are various technological trends like CEB care app, usage of IT, new plants with new technologies, automation of systems, ERP and web-based projects which have been uttered by many of the participants relevant to this study. Out of the above things CEB care app plays a significant role in relevant to technological advancement which caused to increase the customer satisfaction as well. As per Mrs P in the financial division;

“.....Also, we have given CEB app. If you have any connection problem at home, you can lodge a complaint to here. Thereafter you can observe what is happening to your problem from the time it has been lodge it. now mobile vehicle is coming from here, where the vehicle is situated, how long it will take to come likewise. All these information can be observed through your app.”

So, this shows how it is being useful for the customers in a sudden current failure or any other problem relevant to them. And it causes to increase the customer satisfaction as they would be able to see the process of handling their complaints rather than waiting for a response. Also, this is a positive

technological advancement which has identified in relevant to them. As per many participants, there is high IT usage relevant to their processes compared to the other state-owned enterprises.

Usage of handheld devices for meter reading activities, credit card facilities and new machines with new technologies signifies the significance of IT usage within the CEB. So it is clear that they have moved towards a changing economy by utilizing their new trends. At the same time, they are expecting to come up with an ERP system integrating functions of the CEB structure. But at the same time lack of cash within the CEB acts as a barrier to achieving their ERP system.

And the smart meter concept also caused to increase in the cost of CEB resulting in the loss of it. Because they have incurred a huge amount of capital cost for these smart meters which were considered to be important in monitoring and controlling the operations like discontinuing the electricity for the unpaid customers. So this signifies the contribution of their technological trends towards their loss.

Corporate social responsibility is defined as a concept that covers economic, environmental and social dimensions (Vashchenko, 2014). CEB has utilized CSR activities in line with their operations which can be observed through the response given by Mrs A in the Corporate strategy division as follows.

“We have done a tree planting programme with 50000 plants contribution.....”.

So, the above things prove their CSR activities towards society which ultimately leads to protecting the environment. Also, they have conducted programs for school children to make them aware of the conservation of electricity.

Furthermore, they are utilizing an environmental policy to generate electricity without leading to environmental pollution signifies the sustainable practices which have been utilized by the CEB.

## **CONCLUSION**

Planning activities of the Ceylon electricity board have been analyzed under three main categories as financial planning, corporate planning and human resources planning. Utilizing budgets, aligning corporate activities based on their vision, mission and 6 goals, creating plans on employee recruitments and employee training based on their requirements have been used under financial, corporate and human resource planning respectively. Under the organizing, they have mainly come up with job specifications including job responsibilities which result in specialization of that position. As per many participants, there was an equal job recruitment criterion as qualification-based recruitments for the Ceylon electricity board in Sri Lanka. At the same time, they have top to the bottom chain of command where it causes to reduce the practicability in some of the decisions as well.



Moreover, the CEB has considered their employees as their internal customers. And they have provided with the monetary and non-monetary rewards to motivate themselves in an efficient and effective way. Furthermore, they have used various controlling tools like budgets, progress reports, quarterly reviews and action plans to ensure the smooth flowing of the activities as per the planned way. Also, there are various deviation analyzing methods like strategy discussions, methodology review and employee review within the Ceylon Electricity Board in Sri Lanka.

Also, CEB has identified certain developing trends like sustainable business practices, corporate social responsibilities and technological trends in relevant to their industry. Utilizing the eco-friendly methods for generating electricity while moving to renewable energy sources, planting trees, conducting awareness programs on energy conservation, automation of manual systems and providing online payment methods like credit card facilities are some of the trends that have come relevant to their activities.

As per my findings, there were certain issues in relevance to the management functions that have been utilized with in this Ceylon electricity board. Having tariff stagnation since 2013, which caused to increase the generation cost compared to its revenue, unavailability of low-cost power plants, lack of implementation in low-cost power plants, improper planning of the internal processes are some of the causes that have arisen in relation to their planning activities. The unavailability in proper political leadership for CEB is a main loss-making cause relevant to their leading procedure during the past few years. Further, the lack of a good controlling mechanism for collecting debts from various state-owned enterprises like the army, navy, hospitals and various religious places can be considered as an issue relevant to their controlling function as well.

At the same time, there were some uncontrollable factors like inflation rates, global price rate of diesel which is source of electricity, and the amount of rainfall have negatively impacted for the performance of the Ceylon Electricity Board. In other words, most of the electricity in Sri Lanka electricity is generated through hydropower. But there was a dry weather condition in Sri Lanka during the past few years. So as a result of that CEB has to switch to high-cost sources like coal and diesel to generate electricity which ultimately results to increase in the loss with in them.

Moreover, utilizing electronic meters and conducting various awareness programs for the school children has caused to increase the cost of CEB as well.

Further, this research would mainly contribute in identifying the factors for loss-making in state-owned enterprises with regard to their management functions and developing trends in Sri Lanka. Therefore, the contribution of this literature is assumed to be greater to the existing literature on inefficiencies relevant to state-owned enterprises.

The data gathered from the semi-structured interviews and the secondary documents reveal the areas that need to be improved in terms of managerial activities relevant to the operations of the CEB. Accordingly, the management may improve their financial planning activities by having proper

planning relevant to internal processes while prioritizing the least cost plants in generating electricity that ultimately leads to reduce the generation cost relevant to the CEB. At the same time, they may need to reduce the gap between their financial plans with the government policies that would cause to reduce their generating cost while reducing their whole loss. Also, there should be a proper mechanism in collecting debts from their debtors like Navy, Army etc. Moreover, management may focus their attention on creating shared value (CSV) rather than going for CSR activities. Because through the CSV activities the CEB would be able to engage in social responsibility through their operations itself. Cleaning the polluted water and generating electricity through them can be identified as an example for the above-mentioned CSV activity in relevance to CEB.

Improving the internal processing planning, increasing their investments in generating electricity through highly available resources like sea waves and wind power while reducing the coal usage that acts as a cancer cause and computerizing all organizational activities are some of the suggestions to improve the performance of this organization.

However, there are limitations relevant to this study. Less amount of literature on researches based on management functions relevant to state-owned enterprises operating in energy, limited time availability in conducting the research study and gatekeepers related to the case site and difficulty in getting the participation of the participants were some of the limitations relevant to this study.

This is mainly focused on identifying the most contributing factors for the CE Loss based on the management functions and developing trends. Finally, this research would suggest future researches to identify the inefficiencies regarding the different management models used by the state-owned enterprises in Sri Lanka.

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