FACTORS AFFECTING COMPETITIVENESS OF STATE-OWNED ENTERPRISES (SOEs):
A CASE OF TANZANIA TELECOMMUNICATIONS COMPANY LIMITED (TTCL)

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Science in Human Resources Management (MSc-HRM) of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled ***Factors affecting competitiveness of state-owned enterprises (SOEs):A Case of Tanzania Telecommunication Company Limited (TTCL)*** in partial/fulfillment of the Requirements for award of the degree of Master of Science in Human Resource Management (MSc. HRM) of Mzumbe University.

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I, **Anipha Ibrahim** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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ABBREVIATIONS

CAG	Controller and Audit General
LAPF	Local Authority Pension Fund
NHC	National Housing Corporation
NSSF	National Social Security Fund
PES	Proactive Employment Solution
PPF	Parastatal Pensions Fund
PSPF	Public Service Pension Fund
RAHCO	Reli Assets Holding Company Limited
SMEs	Small and Medium Enterprises
SOEs	State owned Enterprises
SPSS	Statistical Package for Social Science
TANESCO	Tanzania Electricity Supply Company
TANROAD	Tanzania National Roads Agency
TR	Treasury Registrar
TPA	Tanzania Port Authority
TRA	Tanzania Revenue Authority
TIB	Tanzania Investment Bank

ABSTRACT

The study assessed the factors which limit the competitiveness of state owned enterprise and in particular Tanzania Telecommunication Company Limited (TTCL) as a case study. The study employed qualitative and quantitative methods in data collection, respondents were sampled randomly and purposively whilst the data analysis was done under the aid of SPSS. The main objective was to examine TTCL`s limited capacity to compete in the telecom market whilist the specific objectives entail examine the functioning of TTCL in the market and the factors for success or failure. The findings from the study have revealed that, TTCL has the required potentials in terms of human resource and finance. However, the big challenge is the limited human capital development plan, motivation and involvement in the TTCL management`s decisions. Secondly, the findings reveal that, the government intervenes to promote the functioning of TTCL. However, the challenge is the political interference in the functioning of the company and thus aborting the management's decisions and operational plans for sustainable development of the company. The third factor affecting the efficiency of TTCL was found to be TTCLs divided loyalty between the employees and the management. The subordinate employees consider the management to be fraudulent and mismanage the company`s money for their own benefit. In this course, it is not easy for subordinate employees to own the agenda of efficiency for TTCL.

It is concluded that TTCL still has an opportunity to grow and dominate the telecommunication market if the restructuring and the mode of managing human resources changes. The company is to consider the involvement of employees in decision making and also motivate employees in order to address the separating gap between management and subordinate employees. It is thus recommended that, the government has to put the eyes on TTCL but remove its hands in order to increase the discretionary powers of management to take quick measures which can enhance the company`s creativeness and innovativeness to curb the market potential.

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CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 Introduction

This chapter introduces the background to the problem. It also provides the statement of the problem, research questions and objectives of the study, significance of the study, limitations, and scope of the study.

1.2 Background to the study

The traditional function of the state as espoused in different literature has been dependent on the ideology. The capitalist ideology opened the space for the private sector to deal with enterprises while the state does the regulatory and the fundamental duty which is ensuring security to the private property (Nee *et al.*, 2007). Meanwhile, the socialist view encompasses the duty of production and distribution of goods and services almost to the state. The state may sparingly engage in enterprising in all sectors of the economy. The middle ground for the two theories has been for states to relinquish the enterprising functions and only retain the core enterprises which seem to be critical for national security. The debate on whether the state should be in the market or not is inconclusive but the arguments zero in on the acceptance of the fact that the market fails and imperfect. The market failure and imperfection gives room to states to engage in enterprises in order to deal with monopoly of producers or suppliers and as well to ensure equity. The market formula of demand and supply does not so much consider the equity issues in society. On such bases the State Owned enterprises have been established to address the issues of equality, equity and as well to cope with market failure and imperfection (Mutalemwa, Tsikata and Wangwe, 1999).

The market is an institution of competition, while the state is regarded as an institution which limits individual`s freedom of action, and hence, the state is not desirable for economic development from the liberal economic model. On the other hand “Invisible hand” of Adam Smith does its work. People choose what serves their own self interest ,and the result is that society as a whole prospers and advances – spontaneously not by design of any person or government (Galbraith,2001).

However, rising corruption, management inefficiencies ,overstaffing (without due regard to their economic viability, many governments treated PEs as easy conduits for job creation and a convenient vehicle for patronage distribution),inflation and rising current account deficits of the 1980s exposed serious “government failures” and the limits of PEs as major players in economic development. In addition to management deficits many PEs also suffered from technological shortcomings. That kind of PEs failure to the liberal economists is due to government being in the outside track of its specialization. Hence, private enterprise becomes a mechanism through which the society advances in the common good. Critics for the government is that have the power, all right but they do not always exercise it rationally. They are unreliable servants of the public interest. Markets keep spoils of corruption small. The question keeps to be based upon the assumptions of the market rewarding positively and negatively.In this light of argument,it is unequivocally important to state that the state may not be best fit to engage in the direct production of goods and services due to monopolies that may arise due to boards compositions and bureaucratism. The question therefore is set to querry if the market is a panacea for dysfuctioning of public state owned enterprises.The response would be yes,due to the market signaling for accountability and responsiveness of services (Kothari,1993).

The counter arguments by the statist scholars in economy is that,...any nation which owing to misfortunes is behind others in industry ,commerce and navigation, while she nevertheless possesses the mental and material means for developing those acquisitions, must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations (Rodrik, 1999). This school views the market economy to be at the benefit of the well developed economies but not to those of the third world countries-Kiiza argues that the market economy is the distinctive form of economic nationalism for the developed countries, Kiiza (2002).

The argument is further enriched by professor Chang using the metaphor “*Kicking Away the ladder*” to elaborate the notion of free trade as a tool which cannot lead to development to the less developed countries as those developed economies used state protectionism as a policy of development path. In contradiction the third world countries are advised to do away with state intervention in the economy. Professor Chang, is worth quoting at length; its a very common clever device that when any one has attained the summit greatness, he *kicks away the ladder* by which he has climbed up, in order to deprive others of the means of climbing up after him, in this lies the secret of the cosmopolitical doctrine of Adam Smith in the British government administration. The homilies of developed countries to their counterpart developing countries to romance with the market at the expense of the state fit the above explanations. For the advancement of the backward economy, there should be more reliance on the state rather than on private enterprise. Japan seems fit in this model(List,1885).

Public enterprises (PE) these are enterprises whereby a state has a large share or has more than 51 percent in terms of shares. The public mostly depends on the ownership rather than control. It is due to ownership that enterprises are categorized as public or private or Public Private Partnership. In most less developing Countries, public enterprises were regarded as instruments for the state to fulfill its role. The public enterprises were having a condominium relationship with development throughout the 1960s to 1980s.The passion of development led to states owning industries that ranged from shoe manufacturing to ice-cream factories. This added the burden to the state.

In Africa most countries after gaining their political independence opted to transform and modernize their economies. The creation of Public enterprises was seen as a panacea to the slow growing economies. From Zambia to Uganda, Kenya to Malawi and Tanzania in specific, enterprises were formed and were both owned and controlled by the state. In many third world countries there remain a large number of state-owned corporations, despite extensive privatization over the last decades.

The same is true for Tanzania. Improving the corporate governance structures of both state-owned and partially privatized companies has been a major challenge in recent years (Jesover and Kirkpatrick,2005.)

The OECD Guidelines on Corporate Governance of State-Owned Enterprises serve as a benchmark for governments to assess and improve the way they exercise the ownership functions of the state. They suggest - among other - that the state should exercise its ownership functions through a centralized ownership entity, or effectively coordinated entities, which should act independently and in accordance with a publicly disclosed ownership policy. The Guidelines also suggest the strict separation of the state's ownership and regulatory functions. If properly implemented, these and the other recommended reforms would go a long way to ensure that state ownership is exercised in a professional and accountable manner, and that the state plays a positive role in improving corporate governance across all sectors of our economies. The result would be healthier, more competitive and more transparent enterprises (Jesover and Kirkpatrick,2005.)

The Principles encourage states to establish an effective and efficient insolvency framework. This is also crucial in third world countries, as creditor rights are often not protected sufficiently. Particularly in emerging markets companies rely on external funds. Here creditors are a key stakeholder. Amounts and conditions of credits given to companies will largely depend on the creditors' rights and their enforceability. Therefore, companies with good corporate governance are often able to borrow larger sums and on better terms than those with poor corporate governance records or than those operating in non-transparent markets.

One example of implementing the OECD Principles the securities market in Ghana. The *Ghanaian Securities and Regulatory Commission*is mandated to create an atmosphere for the orderly growth and development of the capital market and protecting the market's integrity. To achieve these objectives the Commission considered the contribution good corporate governance can make.

When issuing guidance notes, the Commission took into consideration the state of development of the market in Ghana, the regulatory framework and the domestic corporate culture and circumstance, the principles of corporate governance could be implemented in the Ghanaian context. The Commission issued guidelines whereby the standards of corporate bodies regulated by the Commission may be benchmarked. They do not have the force of law. Furthermore, the Ghanaian *Securities and Regulatory Commission* stresses that the structures recommended by guidelines, like audit committees, remuneration committees, independent boards and non-executive directors, alone do not guarantee good corporate governance. They are only structures, processes and mechanisms, which must be properly implemented if good corporate governance is to be achieved (Kiiza,2002).

Tanzania in 1967 established the Ujamaa ideology which sought to transform the ownership of the major means of production from the private sector to the state. It was indeed successful and industries and factories were nationalized. Meanwhile, there was the establishment of many public enterprises to deal with the production and distribution of goods and services. The examples of enterprise formed in 1960s include, Tanganyika packers, sungura tex, kiltex or bora shoe. Up to 1993, the state owned enterprises in Tanzania were around 450.The robust formation of public enterprises was to cater all the sectors of the economy for example manufacturing, agriculture, mining, tourism and banking were dominated by state owned enterprises. The Arusha Declaration central focal point was the control of the economy through the parastatal sector (Bagachwa, Mbelle and van Arkadie, 1992).

State oenterprises could be gauged with their counterparts in the private sector in terms of the value creation and profitability (Helm, 2009). Regardless of the sign of privatization across third world markets in the 1980s and ’90s, state-owned enterprises carry on to control huge amount of national GDP (Carthaigh, 2009), more than 50 percent in some African countries and up to 15 percent in Asia, Eastern Europe, and Latin America. These companies are managed by government or a government agency, fight back to meet the private sector’s performance levels, and possible profits continue unrealized (Katsuji, 2010).

Throughout the present downturn, some state-owned enterprises still as they face increased pressure to turn into more efficient have been called on to maintain government stimulus plans through higher spending and job preservation. However, our research and understanding show that notwithstanding the constraints of the public-sector model and the tight economic times, these enterprises can considerably enhance their performance (Wei, 2013).

The last few decades have witnessed a spirited debate over the role of state enterprise in economy under the predominant private enterprise economy model. The assertion that "states should not participate in the creation and managing of companies" does not hold water for the pro-market theorists (liberals)are of a contradictory nature, as the practice shows that the economic nationalism which is the state protectionism is at its toll through development of quotas, trade barriers, subsidy provision by developed countries to their farmers, protective tariffs to nurture embryonic domestic firms, the use of strategic state action to subsidize domestic production; while the third world states are told to reform by public sector withdrawing from the economy (Kiiza,2000 and Swart, 2002).

The Washington Consensus policy has been the dominant approach to development since the early 1980s. This approach was initially adapted to developing countries and since communism collapse it became 'conventional wisdom' to policy reform in transition countries (World Bank, 1991). This approach is characterized by focusing the government attention on three main domains: (i) privatisation and deregulation, (ii) macrostabilization by low inflation and fiscal deficits, (iii) liberalization through opening of economy to the rest of the world, and a domestic prices control release. This is a top-down approach, driven by the IMF and the World Bank stabilization and structural adjustment policies and loans conditionality and based on the leading role of foreign advisers. The underlying idea of Washington Consensus policies is a shift from state-led policies to market-oriented ones. This has reflected some neo-conservative tendencies in the US and the UK in the early 80s but has also served the transition "from plan to market" in the 90s(Gore, 1996).

However, the developmentalist school argues that, the market economic model is a distinctive form of economic nationalism of the dominant industrial economies and simultaneously a friend of the competitive industrial economies and“foe” of the commodity late comers’ economies of the developing countries like Tanzania. This is not to suggest that the developing countries have absolutely nothing to gain from the private enterprise economy model as each model has its own weaknesses. Focus is on the capacity of the Tanzanian state to nurture and protect the embryonic companies amidst the challenge of liberal free economy. The government of Tanzania owns various investments in different sectors. According to the Treasury Registrar Statement of 30th June 2009 there are 225 public institutions, whereby 164 institutions are owned by government per verse and 61 institutions by interests in terms of joint venture. The total value investments in Public Enterprises has increased from Tshs. 5,281.90 billion as at 30th June, 2008 to Tshs. 6,284.04 billion as at 30th June, 2009(URT,2001).

Management of government enterprises is governed by different enactments. These include; The Treasury Registrar Ordinance No. 35 of 1959 as amended; The Public Corporations Act Cap 257 as amended; The Public Finance Act Cap 348 as amended; The Public Service Act Cap. 298; and The Executive Agencies Act, Cap. 245. The Government‟s thrust is to ensure improved performance and sustainability of the public enterprises and strengthening the monitoring and evaluation mechanism and accountability. The Government has been undertaking reforms in the management of public enterprises with the aim of increasing revenue, productivity and reduction of financial burden to the Government. As at 30th June 2009, 27 enterprises were under reform process while 12 enterprises were under liquidation. In the course of managing enterprises, some enterprises faced financial constraints for the year under review and had to get government support amounting to Tsh. 71.78 billion, where by TANESCO received a total of Tsh. 39.07 billion, RAHCO Tsh. 2.28 billion, ATCL Tsh. 18.24 billion and TRL Tsh. 12.19 billion. The aforementioned institutions may call for more funding because of their ailing financial position. Therefore, its crucial for the state to create and manage companies in order to realize the development of a nation state.

Its argued that, there has been no ever country that developed in the context of “free trade” then the emerging economies will be urged to rethink their embracing with neo-liberal economic model.The private sector means the ownership is individual and the motive is profit,(under the market principles)While public enterprises are organizations that are dedicated to the promotion of entrepreneurship in the public sector(state).They are organizations that combine “publicness” in terms of ownership, price setting and management with enterprise. They are public in the sense that major decisions are made by non-private agencies on criteria that often transcend financial returns, net result accrue to the public ,not private persons and in most instances the government owns majority of equity capital and the enterprise is accountable to the society(Kiiza,2002).

Triggered by globalization, liberalization and marketization and ongoing socio-economic transformation contribute to in recent times an expansion of the private sector and shrinkage of the public sector, especially the Public Enterprises (PE) PEs have either been divested or disbanded partly as a consequence of the inefficient operations of these institutions, but also due to rising current ,divestments helped generating much needed cash to offset these budget deficits. However, despite their downsizing public enterprises continue to remain significant contributors to government revenues in several developed and developing countries ,ranging from as high as 60% in Algeria to 7% in one of the world`s largest economies-china. Additionally, PEs remain in many developing countries the principal suppliers of a vast array of social services deemed vital to the attainment of the number of jobs. These conditions warrant, in varying degrees, continued existence of PEs in many countries, both developed and developing. However, what is crucial is that PEs must perform efficiently and effectively and where appropriate under market conditions. As the matter of fact the current debate on the subject has shifted from the question about whether PE is needed, to how to make them more efficient and effective. Hence, from the believers of the market as an engine of development to the believers of the state as a player of dirigist and productive roles, the PEs are given their level of recognition as development movers in society (Kiiza,2002).

Policymakers around the world have been left with only some SOE policy options at a time when their performance caused not only managerial headaches but also a political fear. The circumstances in Tanzania are alike where a substantial SOE sector has underperformed, and the government has been under demands to find solutions to improve their performances prior to the privatization program. The performance of the enterprises in 1960s to 1980s was somehow sober but overwhelmed the government. The government was overwhelmed due to the number of enterprises and the inefficiencies that were embedded there in. The government came to realize that losses through enterprises which counted over USD 100 million as the enterprises were highly dependent to government subsidies (Bagachwa, 1992). This led to the re-inventing of wheel in 1980s were the state decided to privatize or contract out or outsource some functions which were formally managed by the state owned enterprise (Kimei, 1994).

Even in usual conditions, for example, the normal return on possessions at state enterprises in China are not as much as half of the private sector, a McKinsey studies showed a few years in the past. One rationale is that various companies, in China and elsewhere, are protected from bloodthirsty pressures. Other factors contribute significantly as well. State enterprises often juggle multiple, ambiguous, or conflicting financial and social objectives, such as providing a blanket, low-cost telephone service. Political meddling can create rapid decisions that intimidate a company's financial goals. Finding capable workers at all levels is difficulty too: the best and brightest incline toward the more profitable private sector, and the tenure-based promotions common at state enterprises can cover up their best internal talent (Junki, 2012).

There is expectation that some state-owned enterprises in up-and-coming markets are closing the hole with their private-sector competitors. PETRONAS, the state-owned energy company in Malaysia, for example, began an equipped brilliance operation

focusing on enhanced technical capabilities and a more helpful working society at its plants.
Following five years, the proposal rising about $1 billion in investments and fresh revenues being highly generated, made the company contribute to national development. Moreover the company's equipped with new technique which brought effectiveness in its operations and performance hence the industry now is one of top industry (Nee *et al*., 2007).

The oldest and biggest landline-based telecommunications firm in Tanzania, is Tanzania Telecommunications Company Limited (TTCL) formed in 1993 and succeeded the Posts and Telecommunications Corporation established in 1960s.At the time of its foundation, TTCL was exclusively possessed by the Government of Tanzania before undertaking partial privatization on February 23, 2001. Some of the reasons that prompted the government to private TTCL, like any other institutions, included poor performance, corruption and general mismanagement of the company. The privatization drive of TTCL began with the acquisition of 35% by Celtel International (the known as MSI Cellular), with headquarters in Amsterdam, the Netherlands, alongside the German firm Detecon (TGC, 2009).

Despite the fact that institutions like TTCL are government owned, they still need to make profits. TTCL, initially a joint venture with Airtel Tanzania, has been left alone after the latter pulled out of the joint venture, leaving all the shares to the former (Tripathy and Eman, 2010). As an organization that is competing with firms in the private sector that offer similar services, it becomes very paramount for TTCL to survive the current cutthroat competition that exsists in the telecommunication industry. It has to hire a well qualified and competent workforce. But hiring the best and skilled workforce might not be a big task given the financial machinery and influence that an organization like TTCL enjoys; what might sound tough is how to ensure job satisfaction and keep the staff motivated to this institution (Daily News Reporter, 2016).

TTCL has continued to be a state owned enterprise despite the privatization of the top management. The privatization of TTCL`s management was expected to promote its productivity and competitiveness versus the private telecommunication companies such as AIRTEL, TIGO and VODACOM. However, for the past 15 years, the performance of TTCL has continued to be inadequate despite its competitive advantage in terms of subsidy from the government (Reuters, 2016). Although researchers have identified various reasons ranging from poor technological capacity of the state enterprises, lack of technical skills required, corruption in the public sector and above all capital as a major source of the state owned inefficiencies in Tanzania. Following the privatization in Tanzania, TTCL has continued to enjoy the government subsidies and the failure causes of the 1970s have been mitigated. The study therefore, appraises the factors for inadequate performance of TTCL despite the government mitigating the causes of failure of its predecessor in 1993.The study seeks to answer why the state owned enterprise has a limited competitive capacity despite of the competitive advantage it holds above private companies in Tanzania`s telecommunication sector.

1.3 Statement of the Research Problem

Post independence Tanzania adopted a modernization and transformative approach to development. The method towards the goal of development was through the establishment of State owned enterprises. The motive was as well supported with the nationalization of the major means of production in 1967. The motive was to ensure the state finances, produces and delivers services to meet equity and equality to the citizens. The public owned enterprises rose up to 450 in 1980s (Bagachwa, 1992). Come 1980s, the enterprises failed and the state contracted out its corporations to private entrepreneurs (Kavishe, 2002). Various factors were given, including corruption, lack of adequate capital, inadequate human capital and above all the closed nature of the economy (World Bank, 1998/1999). The privatization was then adopted 1990s where by TTCL succeeded Tanzania Postal corporation. The TTCL was re-inaugurated with intensity and enjoy government subsidy in the market, though it has depicted inadequate performance efficiency in the market (Anyimadu, 2016). However, despite the mitigation of the factors such as capital in terms of finance, curbing of corruption and recruiting the human resources, the literature is silent on why TTCL`s capacity to compete in the telecommunication market has progressively been inadequate. Hence, the study examines the factors which delimit the competitive advantage of TTCL in the telecommunication market in Tanzania.

1.4 Research Objectives

The main objective of this study was to explore the factors which hinder state owned enterprises competitive advantage in the market

1.4.1 Specific Objectives

This study was based upon the following specific objectives:

1. To examine the operational environment for TTCL and its effects on its performance.
2. To assess the factors which impair the proper functioning of TTCL in the telecommunication market in Tanzania.
3. To assess the employees perception on managements practices to promote TTCL competitiveness.

1.5 Research Questions

The research question (s) focused on the specific objectives in order to explore the factors that hinder effective competition of TTCL in the telecommunication industry in Tanzania.

1.5.1 Specific Research Questions

1. To what extent is TTCL operational environment affecting its performance in the market?
2. What are the factors that limit the potentail of TTCL competetive advantage in the telecommunication industrial market in Tanzania?
3. 3.How do employees perceive the TTCL management in promoting the competetiveness of the company?

1.6 Significance of the Study

The rationale of this study was to explore the factors limiting competitiveness of SOEs. The results of this study could be used as inputs to policy makers and bureaucrats to improve the productivity of state owned enterprises. The milieu of public enterprises in Tanzania is conducive but surprisingly they are beaten up by the private sector. Hence, the study alarms the policy makers to change their attitudes and *modus operandi* of these enterprises. In addition, this study contributes to the literature of public enterprises through addressing the notion of privatization as panacea to underperformance. The experience of TTCL whose management functions have been outsourced, depict inadequate competitive capacity due to political heavy hands in the organization. This would therefore, rescue the state owned enterprises from the political interference and thus enterprises become efficient.

1.7 Scope of the Study

The scope of the study was at TTCL Headquater,in Dar es salaam. The reson is that,TTCL head quarter is where the policies are made. The implementation is also starts at the head office towards the other regional offices. The study considered the proximity factors too and the pertinence of the question to be an issue of policy and organizational management. The subordinate employees were involved in the study as they engage in day to day implementation of the TTCL policies. This enabled the researcher to garner adequate information on the performance of TTCL and in particular the factors which hinder its effciency and effcetiveness.

Primary and secondary data was employed to this study basically on the factors affecting competitiveness of SOEs in Tanzania.The findings of this study cannot be generalized to other organizations of the different nature and operations from the TTCL. The results of this study are reflecting the environment in Tanzania context only; it should not be assumed to reflect another country with except when verified applicable through research in the respective country. The information and data provided are reflecting the real environment at TTCL and information and data should be used for academic purpose only and not any other purposes. Some information and data will be not revealed due to confidential policy of TTCL**.**

1.8 Limitation of the Study

The analysis took only a single unit or small area due to limited time and budget so as to enhance the study.

Some of the respondents did not respond on questionnaires as intended which in turn created some difficulties in getting all the required information at a given time. The solution to the problem was by visiting the respondents from time to time until when they felt mercy on me and decided to fill in the questionnaires.

Another problem is financial constraint on my side as a researcher. This made opt only for one organization instead of working on multiple state owned enterprises. During the field work too, I experienced financial difficultness but I was able to borrow from friends in hope of paying later upon my accomplishment of advanced studies. The next section covers the chapter on literature review which offers the theoretical and empirical literature.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the major theories that have been used in the study, and how they relate to the study and its objectives. In this chapter, an empirical literature review is also presented, concerning other studies on the factors affecting competitiveness of state-owned enterprises (SOEs). The study gives the research gap that prompted this study to be undertaken in the first place. Finally, the study also presents the conceptual as it relates to the overall study goal, before making a general conclusion about the literature review.

2.2 Definition of key terms

Public enterprise (PE) encompasses enterprises where the government shares are above the private individuals and may be directly or indirectly managed by the state. The enterprise share to determine the ownership has to be 51% to and 49% has a right to join the board but cannot give a chairperson. This implies that, the public enterprise may be wholly owned by the state or may be partially owned through private-public partnership.

Political interference: Is an act where by the government involve itself to things beyond the wish of those who are interfeared. This can be partial or complete hindering of something to occur. Through this perspective public institution or government companies are forced to do things beyond their limit or which can not be seen as means to enhance wellbeing of the organization or company interest rather than the wish from the government. A good example of such interfearance can be drawn when a certain public organization or company forced to ensure it provide money to rulling party for election purpose. Not only that but also the company may be forced to employ candidate who is not qualified for a particular position which all these limit the workforce of a particular organization which in turn it affect the efficiency of such organization. (Deogratias, 2009)

Poor management: this can be explained as bad managing or administration of the organization. This resulted to the one who are responsible to control people within organization failed to manage such action.This problem are basically related due to interfearance as discussed above where by the company can employ unqualified candidates or through polical appointees who are not qualified for particular position. For example member of the boards who are political appointees and are the one who make policies to govern the company if they are not qualified enough or may not have a exposure in area which the company operate it will be difficult to realize the intended goals**.** (Deogratias, 2009)

Government controls: this can be defined as the exercise of the political authority over the action and affairs of their citizen and communities at large. It gives direction and political contro to the community. It is very essential for the government to put into effect and be in charge over its corporations. These controls sometimes are so harsh that restrain the wellbeing of the corporations. In order for these state-owned enterprises to compete effectively with private companies in a similar business, a government corporation should be allowed to operate under same conditions. For instance, if the government imposes price controls on its companies and cannot control the prices of other companies engaged in the same business, then the government company cannot return as much profit as the private companies.

Over-protection by government: this is an act where by the government want to keep something safe all the time.For the purpose of this study it shows that some government corporations are being protected much hence it limit their sense of competitiveness. Most of public institutions are depend on the government for everything including the payment of staff salaries and the maintenance or replacement of equipment even though they will be established to provide services to the public and to make profits.

This is very different to private companies, the workers know that they have to make profits or the company will close down, and they will become unwanted employees. For this reason, the workers work hard to improve their goods and services. In public corporations, the workers do not seem to care especially as they have secure tenure of office, regardless of the financial positions of the company. In fact, the services of some public companies are so bad that the public would have nothing to do with them if it had any choice. Thus the practice whereby government fives grants to its companies on a regular basis makes the workers careless about the quality of work they offer to the corporation.

Poor attitude to work: this can be defined as bad or negative behaviour at work. This attitudes and behaviour can directly affect the atmosphere and productivity within an organization simply it lowers overall morale of employees. Due to nature of most of public institution many workers from public sectors see their work as government work hence they take their work without seriousness and commitment. The result is that employees do poorly work which in turn it limit effectiveness of such company. **Financial mismanagement:** this is the wrong and incompetent financial management which resulted to negatively upon the financial standing of a business or individual. Some of public institution are facing this matter of mismanagement of their funds. Money is sometimes embezzled completely by officials where by those money could have been used for important development projects by the company or the government.

Theoretical Literature Review

2.2.1 The Role of Public Enterprises

Historically, PEs (i.e., enterprises majority-owned by the state, directly or indirectly) have played an important role in the continuum of service delivery. Their rapid and largely excessive growth in the 1960s and 1970s, combined with the technological and informatics advances of the 1980s and 1990s, has produced in most countries a bloated parastatal sector badly in need of reforms. Among these reforms, privatization is the best known and often the most appropriate. However, a number of public enterprises will remain in the public sector indefinitely, and others will take a long time to privatize. Clearly, there is a need for efficient ways to manage and control these enterprises and protect their assets—corporate governance. Corporate Governance is therefore a component of public enterprise reform, not an alternative to reform. The reasons for why states own enterprises are given by Ezeani (2006). The roles stated entail, limited indigenous private sector to lead the heavy investments in the economy and provide the goods and services to the citizens. The public enterprises would also ensure social equity whereby the profit is not a motive but rather service is. This is what pushes the state to own the enterprises in order to address the market imperfection. There is also the paucity of incentives to the private sector to invest in some areas as the motive of the private sector is profit and not service. For example in Tanzania, most telecommunication companies have tended to operate in urban areas rather than rural areas. TTCL as a public enterprise has to ensure that it reaches all the rural areas even if the profitability is low.

According to Ezeani (2006) the state ventures in the critical sectors of which contain some elements of national security and growth too. The sectors include but not limited to central banking, broadcasting, iron and steel industries, telecommunication etc.

Also, Wu (2004) adds that public enterprises promote employment opportunities which not only increase the welfare of the people but also promote the national growth. It is thus accepted that public enterprises take a vital role in the nations` economy. These attributes also make the state owned enterprises to be important instruments in public policy implementation. The public enterprises have to execute the policy agenda and elevate the status of the country from low level to high level of development. Accoording to Adamolekun (1983) public enterprises are categorized based on various aspects. They could be statutory corporations, welfare or development oriented enterprises.

2.2.2 Public Enterprises Management

The main actors in the public enterprises include the board of directors, general Manager and the secretary to the Board. The roles of each actor are described below.

The Board of Directors

Ozor (2004) put it aptly that at the top of the public enterprise structure there is seated the Board of Directors. The Board is the policy organ with the massive powers to hire and fire as well as controlling the coffers of the enterprise. Admolekun (1983:38) gives two description ogf the public enterprise boards to include the policy board and the executive board. The policy board is composed mostly of persons from outside the organization with the chief executive as the only internal board member. The policy board is more widespread than the executive board. Boards vary from one country to another depending on the nature, ideology and models a nation decides to adapt. The size of the board depends also in the arrangements of a particular nation. The size may be from five members to twenty members.

The General Manager

The enterprises in the public ownership have a chief executive who oversees all the operational matters of the organizations. He has some powers vested to him/her in terms of operational activities. The General Manager is assisted by several deputies and other line managers in the functioning of the enterprise.

The Board Secretary

The secretary of the board is responsible for keeping and maintaining records of all board meetings. The secretary usually comes from outside the enterprise management for ensuring fairness and justice particularly in employee matters(Olisa et al.,1990).

2.2.3 Actors in Controlling Public Enterprises

The public enterprises enjoy substantial autonomy but are subjected to control to address the agency problems which would include moral hazard and information asymmetry. The principals (citizens) delegate the powers to the agents (government officials/politicians) to oversee on their behalf the public enterprises. The public enterprises are usually controlled using mainly one of the two forms which are ministerial control and parliamentary control (Ezeani, 2006).

Ministerial Control

Ezeani (2006) observes that enterprises dwell in a particular ministry and the minister in that regard has a duty to oversee the functioning of such an enterprise in order to ensure policies are well implemented at the organizational level .The public enterprise has also to make sure it reports to the ministry`s authority before any comprehensive or big change is taken for implementation. This is because a minister is overseer of the general will of the public. Ezeani emphasizes that public enterprises have to periodically prepare and publish their reports but under the scrutiny of the ministry.

Parliamentary Control

The enterprises are responsible to prepare viable reports that have to be presented to the parliament by the mister as a mister is the head of the political body at the ministry. The views of Ujo (2001) the parliamentary control takes various forms which may include:-

1. Enterprise reporting to parliament through a minister stating on the enterprise performance in a particular period of time.
2. The enterprise is controlled through annual reports whereby the minister as to report to parliament on the performance of the enterprise. The parliamentary debate usually follow scrutinizing the performance of the enterprises.
3. The financial committee in common wealth countries has powers to summon any public enterprise matter through the minister responsible.

2.2.4 Reasons for the Failure of Public Enterprises

Factors are numerable that lead to failure of public enterprises and they are shared by Ezeani (2006) as follows below.

- **Multiplicity of Goals of the Enterprise**

The enterprise have suffered due to adoption of none market principles and rather working on social probity. This means an enterprise has to open up for employment for example to satisfy the social needs while the number of staff there in is overflows. Also, the pricing of goods may be focedly be lowered in order to ensure equity while the enterprise registers losses. Eventually, the enterprises operating under such a nature may deem unproductive and inefficient.

- **Tight Control and Paucity of Autonomy**

The supervising government bodies tend to develop a stiff control over the enterprises and thus drying out even the small administrative powers delegated by law to the enterprises. This results to limited administrative creativity leading to enterprises operating under the business as usual approach. The enterprises definitely look as none-producers and often than not register losses (Ezeani,2006).

- **Too High Levels of Political Interference**

Political class find themselves over dwelling the affairs of public enterprises. The politicians tend to direct whom to employ and who should be out of the public enterprise. The practice may result to employees developing a moonlighting behavior to the enterprise and eventually the enterprise records losses .The losses then make the enterprise uncompetitive as no capital value for investments.

- **Monopoly of Market**

The complacency arises due to enterprises lacking competitors and thus finding themselves operating under laxity. This eventually results to underproduction which then leads to poor service delivery.

- **Corruption**

In most of the developing countries such as Nigeria, Uganda and Tanzania there are notable corruption cases in the public enterprises. Huge public money is siphoned through the public enterprises in the developing countries. The enterprises get milked until when they get completely dry.

- **Poor Infrastructures.**

Mostly the public enterprises have been proving to be inefficient due to fact that the operating environment is not much conducive. The power shortage in terms of electricity is a big problem in most developing countries. Inadequate funds to support the functioning of these enterprises is a common malaise that makes enterprises fail to meet their objectives

2.2.5 Reforms in the Public Enterprise

The state owned enterprises in the 1990s registered a big loss in most developing countries. This was due to the fall of the Soviet Union. The failed socialist agenda made the governments in developing countries to view the state owned enterprises as mere cost adages. The major push was the privatization of these enterprises. The governments hurriedly denationalized the public enterprises but the efficiency of the transfer was questionable in most of the countries. The process became dirty as the industries and enterprises were mainly handed to corrupt private individuals who were colluding with the state corrupt officials. The important issue to recall is that privatization may not promote efficiency in terms of enterprises governance but rather create a fabric of governance challenges that may be more cost full in the long run.

The reforms which swept over the world in 1980s upwards saw the developing countries denationalizing the state owned enterprises .The remaining state enterprises were also to run on profit basis and reduces the losses as encountered before the era of the reforms. The reforms were across the world from Britain to News land without forgetting African countries (Adamolekun,1983).The enterprises owned by the state under the reform era developed the objectives which include ,ensuring profitability of operations, mitigating corruption in enterprises, rationalization and restructuring of the enterprises, avoiding liquidity and increasing debts and above all the enterprise being self sufficient in terms of managing their own operational costs without relying on government subsidies(Kuye,1990).

Privatization was used as tool of reforming the enterprises. Privatization is a partial or total transfer of ownership from the hands of the state to the private individuals or firms. The ownership is usually determined by the number of shares. The majority share holders are the ones who could be named as the owners of the enterprise. For example, Rondinelli and Lacono (1996) present that Chile and Argentina transferred in a large number the state owned railway, telecommunication, power energy, mining and petroleum industries to private ownership or management in a period post-1980s.These countries and many others in develioping world have realized the need for a state to concentrate mainly with its traditional role of security and reguklating the market rather than engaging directly in massive production and supply of goods and services.It is a moment of rejuveanting theminimal state and establsihing the trust to the private sector as anengine for development.

Privatization Arguments

The reasons for privatization from literature vary from one country to another. However, there are general established factors for why privatization either off the management or the whole of public enterprises was done. The factors are as follows.

- **Economic factors:**

According to Hughes (1998) the economic factors are more convincing than any other factors. The argument is that privatization allows the market forces to operate under the demand and supply law which eventually ensures quality services and reliable services. Privatization also would create the profit potential and avoid the losses through a competitive market system. The enterprises usually develop the economy thinking in terms of doing much with less capital.The economic factors are a driving force towards the privatization in order to realize the value for money.

- **Privatizing the Management**

The essence here is to ensure that the management of the enterprise is proactively delivering to the expectations of the market. The managerial efficiency is expected to be met due to the fact that the organization is going to introduce a new culture of doing the business in the organization. It is expected that the management would be able to cater for the organizational enhancement and market needs. According to Hanke (1986) the experienced managers from the private sector are believed to be more efficient due to the nature of competitiveness they withstand in the market. Hence, the public enterprise would be able to change the ways of doing business under the new leadership of the enterprise.

- **The role of ideology**

According to Hughes (1998) an ideology is a very important component which cannot be left out without a mention in influencing privatization. The spectrum of the ideology matters as in a socialist ideology the means of production are concentrated in the hands of the state while in a capitalist ideology the ownership of the major means of production are placed under the private individuals or the market. The market is highly appreciated as the best manager through its use of demand and supply. The demand and supply principles make the market coordination to be efficient and effective as it assumed to be blind.

2.3 Empirical Literature

2.3.1. State Owned Enterprises in Tanzania

A Public Enterprise can be considered as an organization established by the government under public law (e.g. National Housing Corporation and Tanzania Petroleum Development Corporation) or private law (e.g. TANESCO), as a legal personality (Farazmand, 2010).

It is recorgized as autonomous or semi- autonomous producing/providing goods and services on a full or partial self-financing basis, and in which the government or a public body/agency participates by way of having shares or representation in its decision-making organs (VIBINDO Society, 2008).

Although reduced significantly, PEs continue to have a significant presence in the Tanzanian economy. According to the Treasury Registrar (TR) Statement of Government Investments, there are 238 Public Enterprises in the country. The government owns 166 PES with the majority of shares (more than 51%), 62 with minority interest (less than 50%) and 36 are Executive Agencies. This number of PES increases when we add up 26 Urban Water Authorities as well as some new PES like National Identification Authority as well as National Social Security Regulatory Authority (World Bank, 2009).

However, the practice by promarket preachers has been inconsistent with the market principles. While the international financial institutions have forced the third world states to withdraw from giving subsidies to farmers, the developing countries have been spending billions subsidizing their agricultural sector. Poor countries demand reform of this trade practice that impoverishes small scale farmers while enriching large agribusiness. The issue of ending agricultural subsidies threatens to overshadow more important problems within the World Trade organization (WTO).

The faulty reasoning of the invisible hand "of Adam Smith in the market when it becomes to equity and distribution of wealth in society, saw a market has not being able to allow the society move to development. Therefore, the state should be in the economy to provide subsidies and support the economy ;that`s why the failure of WTO `s conference in Cancun Mexico 2003 was based on the issue of imbalanced trade that is caused by the state in developed countries to provide subsidies to their farmers while restricting developing countries from so doing. And despite of over two decades of privatization, government ownership is still prevalent in a number of regions and countries, particularly in certain basic sectors in virtually every country, given that neither the private sector nor the market can respond fully to the challenge of development, especially equitable development .Furthermore, resource conditions, the operating environment and the size of the market all have important bearings on the size of the private sector. Consequently, there is a heavy reliance on the public enterprise in countries where the aforementioned factors are lacking (Richard and Leloy,2003). Even in countries where the contribution of public enterprise is relatively lower than the private sector, the strategic importance of PEs to the national economy is still quite significant. In Europe especially United Kingdom turned to socialist philosophy which advocated welfare state in health, education and infrastructure sectors with state ownership of the means of production in the public utilities during the first half of the 20th century. Even, in USA Tennessee Vallevy Authority in the last century and role of NASA and ARPA with the creation of information highway in the 21st century are also examples of the role of the state.The recent initiative in USA to convert the several thousand employees in the airports within the ambit of the state is a recent example of this trend. Similarly in the UK the total public sector employment during 2004 increased by over 200,000 as stated Prime Minister Tony Blair. A wide and vast application of the instrumentality of state was designed to correct the economic and social imbalance through investment, production, trade ,distribution and consumption.

The political economist Guy Mhone puts it that “the involvement of the state is in economy is not only mandatory but that`s how it should be .Hence, the government is responsible for overcoming the initial difficulties of industrialization.[1] For example, its important to note that the Great Depression of the late twenties and early Thirties, what saved the saved the economies and the capitalist system, was not Hayek`s radical advocacy of free market ,but J.M Keynes`s advocacy of positive and large interventions in the market by the state, Kothari(1993:23).This was what Thatcherism and Raeganism propagated against using the neo-liberal lenses. However, Thatcherism and Raeganism today are dead and there is the born again on the role of the state through owned credit mechanisms for meeting with economic and fiscal challenges. That renewal of the state involvement in economy confirms that even the developed countries still need the state engagement in economy for their progress. Hence, public enterprise and private enterprise compliment and mutually reinforce each other as its exhibited by the political economists of the middle left views. This line of scholarship advocate for the state to be in the economy as a legitimizing function for the provision of welfare through fighting poverty, creating social safety nets such as wealth redistribution. Kothari (19930) argues that there is little hope that this marketization will trickle down to the people at large and particularly the poor and discriminated sections of them, whether in the former socialist world or in the countries of the third world. Instead, the existential

[1] John,E.Japan`s Economic position:The progress of industrialization (N.Y1930)

condition of poverty once is steamrolled by the powerful destitution, hunger and starvation and other multiple deprivations in access to livelihood and natural resources on which the poor had traditionally depended, Kothari(2003:15-16). The divorcing of the state from creating and managing companies has had serious impacts on Tanzanian economy. For instance, evidence of the impact of these measures is abundant. They include:

(i) Increased flow of Foreign Direct Investments, for example from USD 308.2 million in 2003 to USD 512.5 million in 2007;
(ii) Dominance of private sector infrastructure in the financial system;
(iii) Dominance of private sector activities in all sectors, including mining and manufacturing; and
(iv) In the Mainland, growth of financial sector credit to private: annual growth of credit to the private sector is projected at 22.2 percent by the end of June 2011 from 16.3 percent recorded in June 2010. The credit is expected to continue picking up in the medium term.

Cumulatively, macroeconomic and structural reforms implemented in recent years have resulted into strong macroeconomic performance and stability, characterized by relatively high economic growth and low inflation. These achievements have been reflected in the steady rise in GDP growth as well as increase in Foreign Direct Investments. Real GDP growth rate in real terms increased from 7.7 percent in 2006 to 7.0 percent in 2010, with a dip to 6.0 percent in 2009 mainly due to Global Financial Crisis. However, the negative impact include the following:-

(i) Low international competitiveness;
(ii) Limited international exposure on external markets (both input and output markets);
(iii) Low negotiation skills (with government and international actors);
(iv) Low ICT exposure; and Inadequate funding

Despite the said achievement, the Mainland Tanzania APRM Assessment survey results show that households were of the view that the economy was not properly managed (APRM,2010). Experts though, saw the effectiveness of policies in promoting market economy as being effective .There is no contradiction in these views in that experts were more concerned with macro economic fundamentals of a market economy. This is reconciled by the view that the effectiveness of measures linking the macro and micro is rated moderate. The "moderate" assessment is quite reflective of the real situation. A strong macro-micro link translates into poverty reduction. However, poverty reduction has been modest. Thus more challenges remain in strengthening this link.Inflation has remained above the country's medium target of 5.0 percent, standing at 7.3 percent in 2006, climbing to a sub-period high level at 12.1 percent in 2009 (mainly fuelled by rising prices of oil and food stuffs), before declining to 5.5 percent in 2010. Investments have surged as well, as evidenced by the Investment to GDP ratio .

Within the same period of time records reveal that Contribution of Public Enterprises to the Government Coffers has been faring well and this cements the argument that the state should be in the economy particularly in poor countries such as Tanzania.

The public enterprises contribute to the government coffers through payment of dividends, corporate tax which is remitted direct to TRA, and other remittances and levies in the case of commercial enterprises.

The Government of Tanzania through its Treasury Registrar owns shares and interests in 214 public parastatals, companies and statutory corporation. Categories include service-oriented entities which receive government subvention – 142; service-oriented entities which do not receive government subvention – 12; business oriented 100% owned by government – 16; business oriented majority shareholding belonging to the government – 07; business oriented minority shareholding belonging to the government – 31; and social security funds – 07 (Ministry of Industry, Trade and Marketing, 2010).

In the words of Ademolekan and Gboyega (1979) profit is the commonest measure of efficiency in productive organizations and non-profit the expected evolution would result in good performance. A resolution of this dilemma has been a major concern among scholars; the solution, however, has remained elusive. This exercise is significant, given the increasing use to which public enterprises as an organizational form is justifiably being put in many developing politics (Deogratias, 2009).

In discussing their performance, the central task is to focus not on the difficulty of stating in measurable terms of the expected results by public enterprises. This problem is closely associated partly with the rather broad objectives as opposed to specific goals they are expected to achieve. Related to the lack of clarity in the purpose, is the conducting expectations they are expected to make (Ademolekan and Gboyega, 1979).

There are several reasons for the failure of some of the public enterprises to achieve their objectives. The first in order of precedence is that the aims of each enterprises are never clearly defined; other reasons are fundamental non- availability of many projects; Political patronage in appointment to the Board and staff, and lack of suitably qualified workforce; and corruption. A few examples will suffice in each case (Quinn and Francis, 2008).

According to Ademolekan, and Gboyega, (1979), to reverse the high ugly tide, Tanzanian government in the early 1980s made an effort to use performance contract to measure the performance of public enterprises in Tanzania. This plan constitutes a pact between a government and the management of the public enterprise by stating the objectives to be achieved within a given specific of turn and conditions for attaining the objectives. Typically the agreement includes a formal commitment of the government to provide the necessary resources for the enterprise. The outcome of this exercise produced poor results. This is because the government did not fulfill their part of the bargain and showed no interest in monitoring the impact of the contracts.

Another manifestation of the concern about the poor performance of a public enterprise is the introduction of some reform measures by the new democratic government in 1979. This new reform will be half-hearted, and some useful reform measures recommended by review bodies such as the Onasode (1981) will never be faithfully implemented. A notable example is that of 1979 where two years management service agreement with Rail India Technical Services and the Dutch Royal Airline assisted in improving the performance of the Nigerian Railways Corporation and the Nigerian Airways, respectively. The pacts will be signed in 1979, but the temporary improvement in service could not be sustained. Obviously, attaining improved performance in public enterprises requires more far-reaching reform in and a greater commitment on the part of the government and her leadership and the management of the public companies (Ademolekan, and Gboyega,1979).
However, we have different figures of the total number of PES from Office of the Treasury Registrar (TR) and those from The National Audit Office. The discrepancy is because while TR produces all government investments into PES and hence lists all, Controller and Auditor General (CAG) lists only those which submitted their Accounts for Audit. Hereunder is the table showing the differences. As you can note, since CAG doesn't audit entities with minority government interest and Executive Agencies like TANROADS and TRA which are audited together with their Ministries, the figure from TR must be bigger (Skof, 2008).

The government of Tanzania has a total equity of 10.3 trillion shillings in State Owned Enterprises which is 30% of GDP at current prices in Shillings terms. Of course, there is a multitude of smaller PES and few larger ones which constitute a big portion of this total investment into PEs. For example 60% of the investment is in ten corporations (with billions of investment in brackets) which are Bank of Tanzania (766bn), LAPF (218bn), PPF (722bn), NHC (1054bn), NSSF (1029bn), PSPF (732bn), RAHCO (197bn), TANESCO (907bn), TIB (108bn) and TPA (414bn) (World Bank, 2010).

Public enterprises do not compete under the same terms and conditions as private enterprises because they have access to government subsidies and other benefits. SOEs are active in the power, communications, railway, telecommunications, aviation, and port sectors. SOEs typically report to ministries and are led by a board. Typically, a presidential appointee chairs the board, but it is also composed of private sector representatives.

SOEs are not subjected to hard budget constraints. SOEs do not discriminate against or unfairly burden foreigners, though they do have access to sovereign credit guarantees. With emerging potentials in the oil and gas sector, investors continue to monitor the potential increase of governmental influence on these economic activities (Steel and Snodgrass, 2008).

According to Bagachwa (1992) the Arusha declaration was a watershed in the economic life. The state engaged directly in the production and distribution of goods and services. The African socialism under the ujamaa ideology resulted to the state nationalizing the major means of the economy. The state engaged in managing the economy through public enterprise. Banking sector and industrial sector were solely under the state. In the period between 1971-1974 the state found herself unable to move the mountain of debts due to underperforming enterprises. The period following 1980 became an era of privatizing the public enterprises in Tanzania. This was partly done either partially or completely. The intention was to promote efficiency and effectiveness. The value for money philosophy dominating the public sector reforms informed much the national approach on public enterprises.

Literature and studies in Tanzania with regard to privatization is diverse. The literature suggests that the privatization of the public enterprises has done more harm than good to the efficiency of these public enterprises. The major reason of such a phenomenon has been cited to be the pressure for privatization which led to the collusion between the private individuals and the government officials to buy or sell the public enterprises at the undervalued market pricing. Hence, the process of privatization resulted to limited functioning of the public enterprises. Most of the privatized enterprises in Tanzania have not fared well in terms of the performance (Wangwe, Semboja, Tibandebage, 1998).

The credibility of the of the privatized public enterprises is questionable in terms of performance. The government officials have tended to trust much to the foreigner investments rather than the locals. The interest is however led by the self interest motives whereby people wish to count the 10% in their bank accounts.

The good example in the controversial privatization is the sale out of the giant NBC 1997 Limited; the former National Bank of Commerce which was split into two banks before it was sold Instead of being sold at Tanzanian shillings 21 billion as it was earlier valued and agreed but came to be sold only at 15billinon shillings Tanzanian money (Katiko, 2004). Following the privatization, the process was either to close down the public enterprise, sell it completely or bring in the new management from the private sector to manage the enterprise. The closed down public owned enterprises included Tanzania Fertilizer Company, Mbeya Ceramics, Morogoro Ceramics, Mbeya Textiles, Kisarawe Brick Company, Morogoro Shoes Company .The government declared that the public enterprises owed the treasury a total amount of 600,146,188,939 Tsh by 1992 (excluding loans from other sources) (URT, 1996).
The privatization logic was thus to cut down such losses and enhance the productivity.

TTCL upon privatization was expected to pay the following taxes to the government. sales tax on telephone and telex services at the rate of 15 percent of the revenue earned from the provision of the service, a corporation tax at the rate of 35 percent of the profits,a payroll levy at the rate of 4 percent of the gross emoluments paid to staff and a stamp duty at the rate of 1.0 percent of receipts of the company. However, TTCL has not been able to pay those payable taxes to the government due to underperformance. The Company was then bought by AIRTEL TANZANIA to increase its potential in terms of gaining capital. Still, the company has not been able to make it.

Literature has continued to reveal that, TTCL is underperforming and faces shortage of capital to undertake effectively and efficiently all of its duties. Thus, there is a need to study the factors that hinder public enterprises to perform despite of the established norm that privatization addresses the problems of public owned enterprises.

2.3 Knowledge Gap

The literature has established that privatization creates a competitive advantage to public owned enterprises (Hughes,1998).Tanzania privatized her telecommunication company TTCL since 2003.However, TTCL has been registering losses and underperformance. TTCL has lost the competitive race among its competitors in the telecommunication market in Tanzania and beyond. Hence, the study examines the in congruency between the expected and the real situation of TTCL company post privatization. Why has privatization of TTCL a state owned enterprise has not yield the productivity expected?

2.4 Conceptual Framework

According to Mugenda and Mugenda (2003), a conceptual framework is a brief explanation of the phenomenon under study accompanied by a graphical or visual depiction of the significant variables of the study.In the same line Reichel and Ramey (1987) defined conceptual framework as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation. From a practical point of view, a conceptual framework is intended to assist a study to develop awareness and understanding of the situation under scrutiny.

The independent variable of the study is ownership of the corporation by the state and the dependent variables entail,political interference,overprotection,attitude to work of employees and management`s financial management practices.The study assumes that the performance of state owned enterprise is encroached in those variables which in a way hinder efficiency and effectioveness.

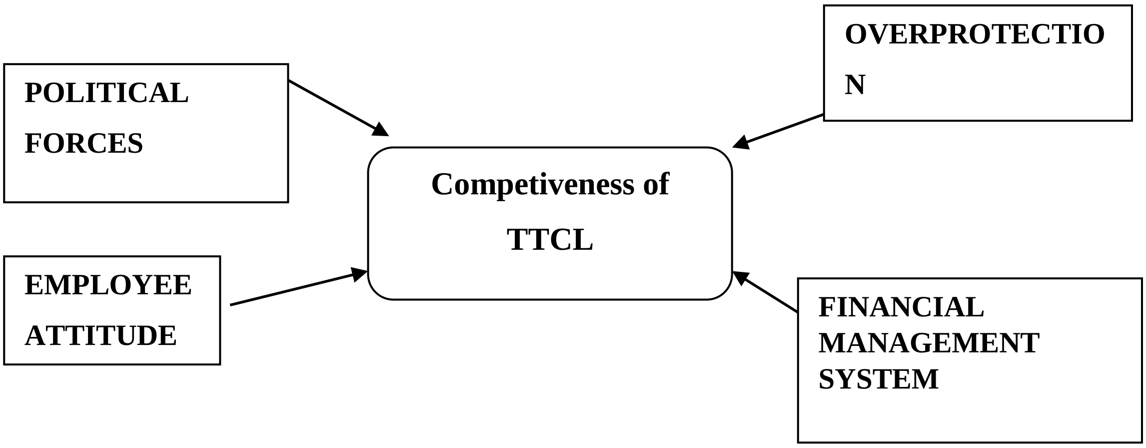
The literature on state owned enterpirses in developing countries equate them to rewarding political patronage to loyals rather than creating a value for money. The political class entrench the personal interests in the corporations thus resulting to loss of competetiveness due to being overwhelmed by lack of discretion by the management. This trend is standing as a factor which hinder the competetitveness of the TTCL in the telecommunication market.The government operates for services and not for profitability purposes.However, this does not mean a governemt does not venture into lucrative profiteering businesses.The motive is what is being prescribed as an underlying concern between a government and a private firm.

The public firm produces little resulting to limited motivations to employees and thus employees adopt self helping approaches such as looting or developing poor attitudes towards the corporations. This is one of the factors that made the public enterpses in Tanzania lose a track of progress.hence, a study of these variables in the current study is to search for a paththrough for TTCL.

The conceptual frame work shows the factors that may be influencing the competetiveness of TTCL .The political factors, overprotection,employee attitude to work and financial management. The extent to which these variables interact with the TTCL company may affect the competetiveness of the company. It is therefore assumed that TTCL is operating under these factors which invariably affect its performance.

The model is useful through describing the ecology of public service environment and setting the position of TTCL a state owned enterprise. The ecology of public administration in Tanzania is perceived to be pulling back the entrepreneurial rigour of the corporations into a dysfunctional status. The state enterprises face weak boards due to political influences and thus resulting to poor oversight to management`s misconduct interms of financial mismanagement.

Figure 2. 1 : Conceptual Framework



Source: Researcher's Conceptualization (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology which was used to conduct this research. It covers research design, area of the study, population size, and data collection instruments, source of data, data analysis, interpretation and presentation and reliability and validity of data.

3.2 Research Design

The research design in this study was explanatory which sought to identify the causes which hinder competiveness advantage of TTCL in the telecommunication market. Explanatory research is defined as an attempt to connect ideas to understand cause and effect, meaning researchers want to explain what is going on (Kothari, 2004). The factors which hinder the effectiveness are identified and explained. The case study approach was used in order to thoroughly study the nature of the factors that hinder effective performance of state owned enterprises. Case studies not only save time but create the potential of deeply examining the issues as the focus and scope is only limited to one or two units of analysis. This study used a case study approach as (Morris and Wood 1991:281-290) put it aptly that, case studies respond to the what, why and how questions. In this study, the question of public enterprises underperforming despite of the supportive functional environment are explained in a better way through the case study approach. TTCL as one of the oldest public enterprise was chosen to testify the research gap.

Also, the researcher used an explanatory design to further to explain the known causes of underperformance of public enterprises and as well find the solutions to the problem. The researcher concentrated on a single case in order to obtain a detailed information the views correspond to Stake (2005) who argues that, a case study is important for surge ring the research problem accordingly.

3.3 Area of the Study

The study was conducted at TTCL head quarter because the nature of the problem required the policy decisions and implementation interface. The Top management of TTCL is located at the head quarters in Dar es Salaam and therefore, the study on the factors limiting competitive advantage of TTCL in market was to be pursued at the head quarters.Thus, the study gives the deep analysis of the challenges facing state owned enterprises and in particular TTCL.

3.4 Sampling Technique and Sample Size

3.4.1 Target population

The study intended to cover employees from Tanzania Telecommunication Company Limited. TTCL has many branches with hundreds of employees countrywide but the study concentrated at Dar es Salaam headquarters. The study covered the management and employees from different departments. This was to ensure the study captures the employee's opinion from a multiprofessional approach in order to explain further the causes of TTCL limited capacity in the competitive market.

3.4.2 Sampling technique

The study employed purposive and random sampling methods. The sample size was 58 out of 70 employees in the organization HQ. The management and subordinate employees were sampled.The management members to be involved in the study were purposively selected due to their role in the organization and the subordinate employees were randomly sampled in order to increase reliability of the study (Saunders *et al*. 2000). The sampled respondents were adequate in examining the nature of the research problem. The randomly sampled respondents were to cover up the gender determine population in order to have the views of both males and females. The 58 subordinate staff where sampled by sex and the frame was 20 females and 30 males. This is because the number of male staff is over 60% at the headquarters among the subordinate employees. For this research, a sample of fithy eight (58) respondents was selected from the management and various departments. Table 3.1 indicates the distribution of the sample size.

Table 3. 1: Distribution of the Sample Size

No	Department	Population of study	Sample size of respondents	Percentage (%)
1	Procurement Management Unit	7	6	75
2	Tender Board Member	7	5	85.71
3	Internal Audit Unit	6	5	80
4	Planning and Economic Regulation	13	11	84.61
5	Accounts	20	15	85
6	Management and Administration	17	16	94.11
	Total	70	58	85.71

Source: Field data (2017)

3.5 Data Collection Methods

Data collection in this study employed a multi technique approach such as use of interviews, questionnaires and documentary reviews such as research articles, books, newspapers, magazines, research reports, journals, dissertations, government reports and internet sources. According to Kothari (2004) a good study is the one that uses multiple techniques as there is no single best data collection technique.

3.5.1 Interviews

The study interviewed senior officials at TTCL in order to underscore policy issues as they are engaged in organizational policy formulation and implementation. The top management and heads of departments were interviewed.The structured interviews were used in order to ensure the respondents are guided accordingly to achieve the goals of the study. The use of interviews is fundamental as it helps the researcher to get deeper information through provoking and leading the interviewee in order to gather the required information. Also, the interviews helps to reduce the escapegoating of the respondents from realities. A researcher is able to look at the body language and develop anxiety to the respondent in order to continue obtaining more information from the respondent (Creswell, 2009).

The interview information was used to supplement the questionnaire and documentary reviews information by coding that information and also quoting the responses in to the findings verbatily. This has increased the reliability and potential of the study.

3.5.2 Questionnaire

A questionnaire is easier to administer, less costly, and ensures greater depth of responses, according to Mugenda and Mugenda (2003) a questionnaire also helps to capture factual information actually. In this study, a questionnaire used for economic and appropriateness reason. Questionnaires were administered to TTCL officials from various departments in order to come up with valid and reliable information for this study. Total of 58 questions were distributed to TTCL respondents from various departments. Structured Questionnaires were designed to reflect the objectives of this research. For the good purpose of this research open –ended questions are employed to ensure the researcher get required information.

3.5.3 Documentary Review

The researcher went through various books, articles, journals, documents from TTCL and surfed the internet extensively to ensure the availability of required information that relate to the research topic. The researcher also went through literature search which involves reviewing all readily available materials related to the problem under the study.

3.6 Data management

This research report the data were collected from various sources such as through interviews, questionnaire to the field, the internet, different journals related to this research particularly those involved in the daily operations of TTCL. All the collected data were backed up to ensure security and handled with great care to ensure that no illusion of the facts is encountered. Therefore, displayed findings reflect the reality of factors affecting competitiveness of state owned enterprises (SOEs)

3.7 Data Analysis

The analysis of the data in this research report made use of qualitative and quantitative technique. Data were gathered and prepared for analysis. Editing, coding was done to ensure accuracy and inconsistency and assigned codes to distinguish categories and values of variables. The SPSS was used for data assembly and analysis and presentation. In analyzing the data, Frequency tables and figures were used to present the findings. The analysis was carried out on a total of fifty eight (58) questionnaires collected from the administered respondents and the interviews inclusive from the senior official in the organization.

Data analysis involves a methodical evaluation of data elements which classify, interpret, and helps to make precious decision (Frels and Onw-uegbuzie, 2013). Data analysis carried out based on the planned specific objectives so as to break the gap existing in literature on the selected topic. The analysis involves the interpretation of both primary and secondary data in order to give at length the magnitude of the matter being studied.The interview data was pondered and categorized and largely was used verbatilly to support the presented quantitative data. The data from questionnaires was coded and through the aid of SPSS descriptive statistical information was produced interms of frequencies and percentages.Documentray data was analyzed through quotations to support the current study findings and thus make the findings more relevant and valid. The data were collected from the published and unrefined documents from SOE documents.

3.8 Reliability and Validity of Data

The research report was conducted with awareness and with close consideration to make sure the trustworthiness of the research findings. The research questions were short and straightforward to permit respondents to answer them precisely in line with the research objectives.

Reliability is the ability of an instrument to ensure consistently of the phenomenon; it is designed to measure (Kothari, 2004). Based on the definition of Kothari, this study tested and retested after pilot survey.

The pilot study helped to refine the questions of the questionnaires necessary for ensuring that they gave meaningful results from the respondents. Furthermore; validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004).

To ensure the validity of data in this work, different questions were formulated to give an ample result and which will clear answer the research objectives. Validity refers to the quality that a procedure or an instrument used in the study was accurate, correct, meaningful and right. Adam and Kamuzora (2008) argued that a tool for data collection is said to be valid when it measures what it is supposed to measure. The devices and data used in this research are no doubt accurate as they reflect the reality of factors affecting the TTCL's competitiveness.

3.9 Ethical Considerations

During the research the issues of ethics were given and paid high attention to ensure professionalism and avoiding harassment to all respondent and providers and users of the findings. The data collected through interviewing various key personnel involved in the day to day affairs of the company were used for the purpose of this study and to encourage other studies for the purpose of solving or rather improving and eliminating factors affecting implementation of annual procurement plan in public organizations, on TTCL. In this study only basic ethical principles that govern and guide all the stages were involved in analyzing the problem under study.

This study protects all rights of the respondents that in no way did it harm socially or psychologically or physicallyu during the research exercise. The privacy of the respondent was also observed in all stages of this work. The information obtained in this work were secured and used for academic purpose only. The respondents were asked to participate in this exercise voluntarily in such a way that they have right to withdraw at any time with not being mistreated or stressed. Before data collection introduction letter providing information about the research purpose issued by the postgraduate studies office from Mzumbe University.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the discussions and analysis of the feedbacks gathered from the respondents through questionnaire .Also it gives the primary results of the study analyzed and discussed in line with the stated specific objectives that lead to drawing conclusions and recommendations. This part covers four research question which guided the study.

4.2 Socio-Demographic Characteristics of Respondents

4.2.1 Age of Respondents

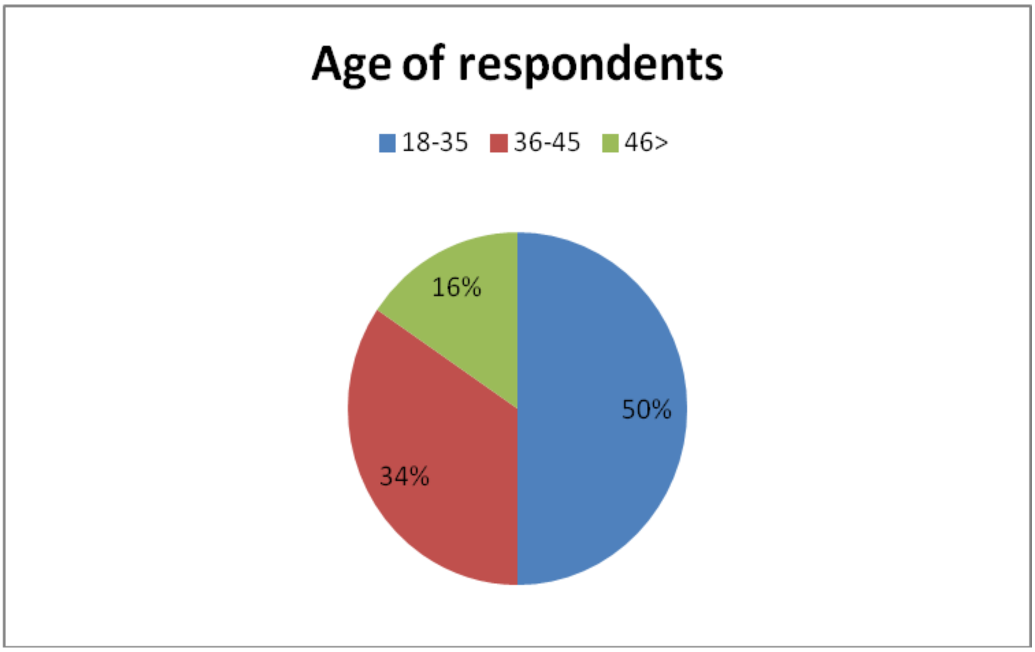
The identified the age of both females and males in the organization. The data has revealed that 50% of respondents were of the age between 18 to 35 years, 34% of respondents were between 36 to 45 years while 16% of respondents were aged above 46 years. The table 4.1 shows the results.

Table 4. 1: Age of Respondents

Age of respondents in groups	Frequency	Percentages (%)
18-35	29	50%
36-45	20	34%
46>	09	16%
Total	58	100%

Field data (2017)

Figure 4. 1: Age of Respondents



The age analysis shows that the organization has a good number of young people who could be working hard to drive the mission of the organization and thus promote the competitive edge in the telecommunication market industry. The age between 18 to 45 comprises over 84% of the work force. This age group is an active one which could be creative and innovative to promote the organizational goal. However, one respondent from the management in an interview commented that, "*the young people do not seem to be doing much greater in terms of creativity unlike old employees as they are not properly schooled*". This is interpreted as the protection of the status quo by the old guards who do not want to give chances to young talents to manage the organizations in order to stimulate creativity and innovativeness. In this aspect, TTCL has the work force which is potential to promote its mission and thus be able to compete in the market versus the private telecommunication companies.

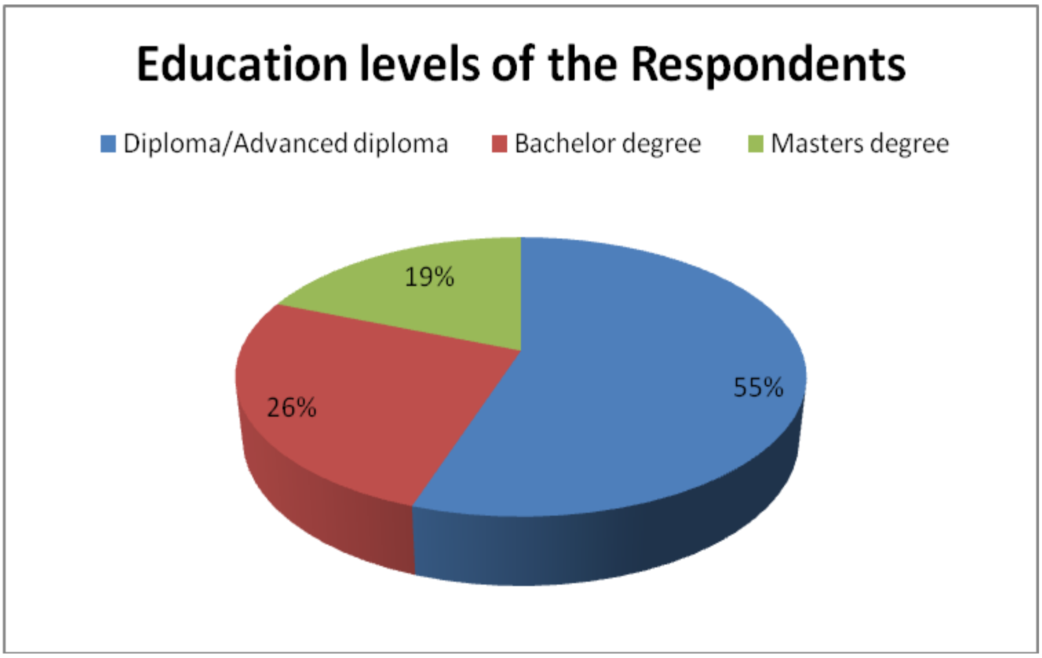
4.2.2 Education Level of Respondents

Table 4. 2: Education level attained by Respondents

Education level of Respondents	Frequency	Percentages (%)
Diploma/Advanced diploma	32	55%
Bachelor degree	15	26%
Masters degree	11	19%
Total	58	100%

Field Data, (2017)

Figure 4. 2:Education Levels of the Respondents



The study has found that 55% of the respondents had diploma or advanced diploma, 26% had Bachelor degree and 19% had masters degree. The study ascertains that these academic qualifications by the organizations employees are potential to promote the organizational competitive advantage in the market. The employees with master degrees in organization counted for 19%. This percentage is adequately sufficient to increase value of the organization. However, during the interviews one respondent from the management made a convincing case that, "*despite of many people having masters in the organization; are not competent enough as they their masters are not built on their first degree*". The study regards the observation to be making a convincing case as one may imagine such an organization to be having adequate human capital while the capital capacity is limited. Nevertheless, by organizations having people of such qualification guarantees the growth potential and a competitive edge in the market.

4.2.3 Sex of Respondents

Table 4. 3: Sex of Respondents

Sex of Respondents	Frequency	Percentages (%)
Male	35	66%
Female	23	34%
Total	58	100%

Source: Field data (2017)

The study incorporated both males and females. The study involved 66% males and 34% females. The sex variable was crucial in gathering the data on the research problem as regards to why TTCL is having a limited market competitive potential in the market.

Table 4. 4: Occupational Profile of Employees

Occupation profile of respondents	Frequency	Percentages (%)
Junior cadre positions	32	55%
Middle cadre positions	18	31%
Senior positions	08	14%
Total	58	100%

Source: Field data, (2017).

Figure 4. 3: Occupational Profile of employees

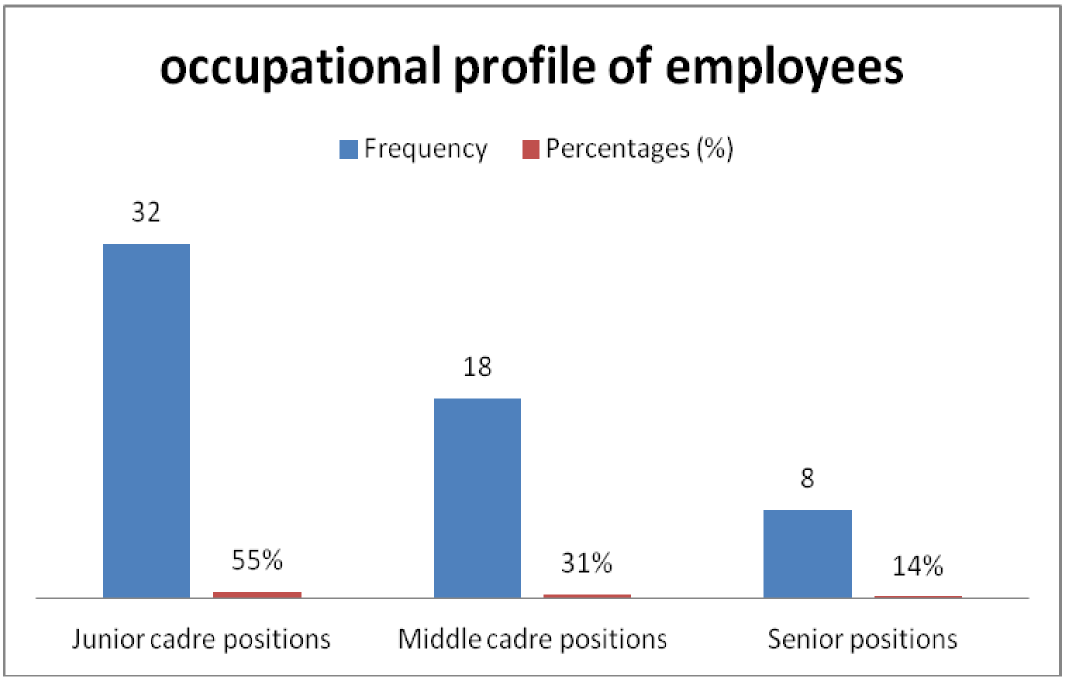


Table 4.4 depicts that 86% of the respondents are in the junior and middle cadre of employment. This is a junk of human capital which in this study is counted to be among the competitive advantage to TTCL. The company has a very good potential of promoting its productivity due to having the good structure where the majority are on the bottom of the hierarchy for policy implementation. This was also revealed in a response from the questionnaire where around 75% of the respondents and who

covered the lower and middle cadre employees said were eager to grow up with a company.

The study considers these findings to be a competitive advantage to TTCLs performance. However, despite of such enthusiasm by the respondents, the company still has the limited potential to compete in the telecommunication market in Tanzania. The next subsection discusses the factors which limit the competitive advantage of TTCL in the market when compared to private companies.

4.3 The Factors Limiting TTCL`S Competitive Potential in the Market

In this sub section the study wanted to capture the factors which tend to limit the proper functioning of TTCL and thus pulls back the competitive advantage it has in terms of state subsidies unlike the private companies. The most cited reasons by the candidates was the massive interference by the government. The respondents from the junior and middle cadre staff were of the opinion that, political interference is overwhelming the managements operations. This perception may not be surprising as Mukandala (1991) acknowledges that in Tanzania politics overdoses the administration in terms of power. Hence, the experts tend to work under the whims of a political class. This politicization of public owned enterprises cannot make them compete and make profit in the milieu of liberalized economy.

Table 4. 5: Pressure From Politicians in Performing Daily duties of TTCL

Pressure from Politicians	Frequency	Percent
There is pressure from politician	35	60.3
No pressure from politician	23	39.7
Total	58	100.0

Source: Field data (2017)

The main aim of this study was to find out whether the political activities put pressure to these SOE’s which in turn limit the competitiveness of these sectors. The results show that there is pressure from politician in performing their daily duties.

About 35% respondents from various departments which are about 60.3% of total answered "Yes, there is pressure from political class. About 23% respondents answered No to the question.

The perceived political interference in the organization seems to be felt by the employees and management. One interviewee said the following,

we are prone to political decisions. When a politician in the government feels that something has to go to a particular way we never have objection or lest you lose your position. Dear researcher, who wants to lose his/her position? By the way remember, the English saying. He who pays for a piper, he is the one who determines the tunes.

The study interprets this as a complete interference in the management and operations of TTCL. The study does consider the political action by the fifth phase government which is an intervention to promote the TTCL. This is commendable as the Magufuli`s government has decisively decided to resurrect TTCL and make it competitive. The TTCL debt has been cancelled and of the present TTCL is branding new markets to the market including TTCL –money which was launched on 17th July, 2017. The intervention is lauded but the interference hinders the functioning of the company as stipulated by the employees.

4.3.1 TTCL Owes Some Public Institutions Big Debt which Affect Running of TTCL Activities

The study Determined the extent of debt which affects the running of TTCL. Generally TTCL is service provider in term of communication to most of public sectors. Most of these sectors receive service through post-paid hence most of public institutions enjoy service but to pay back it take too much time. The study depict that there are too much money from debt which TTCL owes these institution in return it affect the smooth running of TTCL activities.

The study revealed that too much debt from outsider hinder smooth operation of TTCL activities hence it hinder the whole issue of competition among their competitors such as TIGO, VODACOM and AIRTEL which most of these companies are advanced much and take over the market despite there are new to this activity. Most of these debts are through utilizing service provided by TTCL to the public organization without paying. Similar, result presented by Ozor (2006) that significant debt from politician tends to affect the growth of organization significantly reduce the performance of the company and hinder the competitiveness of the enterprise with other organization. Based on this analysis public institution should not be allowed to utilize services provided by SOEs like TTCL without paying it at respective time so as to improve the competitiveness of the organization.

Table 4. 6: Big debt from public sectors effect smoothly running of TTCL activities

Public sector debt	Frequency	Percent
Big debt from public sector	49	84.5
No debt	9	15.5
Total	58	100

Source: Field data (2017)

Table 4.6 finding results reveals how TTCL is being overwhelmed by the none-paying customers who are also government agencies. The enterprise is affected massively by the slow flow of payments from other government bodies. This has been a trend in the Tanzanian public sector as the producing enterprises give services to other government institutions on trust. However, the trust does not definitely result to the government institution paying but rather the bills keep on piling. Most of the government institutions are owed by TTCL. The major issue surrounding this practice is that, TTCL seems as a service provider to the government institutions and not profiteering enterprise. One respondent during an interview made the following observations,

TTCL suffers much from her in debtors who are the public organizations. The company has no any enforcement mechanism to collect the money from the sensitive government organizations such as police and the military barracks. We fail as when

we think of initiating any action like denying the services, the memos flow in restricting us from so doing...in this way do not expect productivity of this company"
.

The study interprets this situation as being hostile and unfriendly to the advancement of TTCL. The mechanism should be devised like what the hon. president Magufuli ordered TANESCO to do. TANESCO was ordered to cut off power even for governed sensitive offices as far as they do not pay. On the morrow, most government institutions paid their bills and those who did not, the power was off. This would be a panacea of avoiding losses to the public owned enterprises and thus promote productivity. The political commitment of the Magufuli government if sustained would rejuvenate TTCL competitiveness in the market.

4.3.2 Extent to Which Overprotection Affect competitiveness of TTCL

The limited ecology of competition for state owned enterprises results in stunted growth of the enterprises. Protectionism is not a proper form of creating innovative companies that can make profit for satisfying the public good. The following are the responses from the field with regard to over protectionism approach of enterprise markets.

Table 4. 7: TTCL Limitation to Compete

	Item	Frequency	Percentage
Compete(TTCL)	Allowed to compete	18	31.0
	Not allowed to compete	40	69.0
	Total	58	100

Source: Field data (2017)

The overprotection of the enterprises leads to monopoly. The effect of market monopolise is the laxity which makes the enterprise to underperform. The reason is that with a limited competition the enterprise cannot face challenges which emerge from the market. The innovativeness and creativity get destructed. The limitations to competition are more structural and not by default. The discussion is anchored on the bureaucratic procedures which have to be observed before the company can be adequately competitive.

One of the managers duringa an interview had this to say ... "*TTCL is a big company. It could be productive as other private firms are...a big challenge is intrinsically in the government bureaucracy. A line manager cannot buy any item before the procurement process is undergone. This lenders to small items hinder productivity of the company. The company finds its competitors such as Airtel already far while the company was clearing the procurement purchasing procedures. Therefore, the bureaucratic nature of public sector makes TTCL not competitive enough to march with the speed of the other providers in the market*"

In the views of Hughes (1998) a competition enhances technological innovation in order to counterpart the competitor. In the milieu where the enterprise operates under a closed economy, the possibility of underperformance is high. TTCL before the marketization of the telecommunication industry used to enjoy the monopoly of the market as a sole provider of services. It would take five years to get connected to a TTCL line. Following the liberalization, TTCL today has improved and the quality of its services have as well improved though yet to be like of the private companies who are competitors in the market.

The government uses the TTCL as the social equity instrument whereby the profit question is not a big concern. This makes TTCL to seatback and enjoys the underperformance as they already have a base to justify their underperformance.

The study has revealed that TTCL as a public institution is not allowed to compete. The Parliamentary Act known as The Fair Competition Act of 2003 offers the just and fair grounds for all enterprises to compete equally in the market. However, due to political elements, TTCL has not been able to enjoy the autonomy and freedom from the government in order to increase productivity and in turn it limit its competitiveness. TTCL has to be given some autonomy in order to utilize the potentials it has and thus capture the market.

Table 4. 8: Government Provision of Subsidies to TTCL

	Item	Frequency	Percentage
Subsidies	Much subsidies from government	23	39.7
	Inadequate subsidies from government	35	60.3
	Total	58	100

Source: Field data (2017)

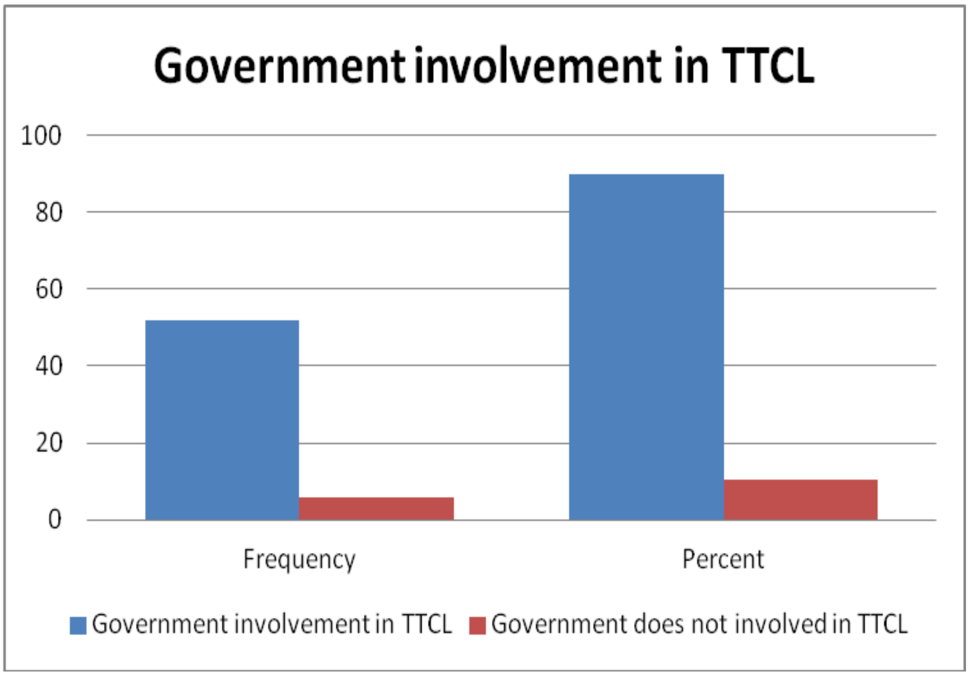
The research finding reveals that the government does provide inadequate subsidies which could help the company in their daily operations. 60.3% of the respondents were of the views that the subsidies are inadequate whilst 39.7% of respondents said the subsidies were much and adequate .The 60.3% of respondents would be highly informed of the government approach to cut down the government expenditure. This implies that, the company is dearth of capital as it needs heavy capital to be able to compete with the private service provider companies. One interviewee has had this one to say “TTCL is underfinanced. We receive very little money while we sell the services at none-dear price. The government has to entrench more massive capital in order to buy the technology and promote productivity”. It is thus accepted by both the management and the subordinate employees that TTCL`s underperformance is contributed partly by the inadequate capital due to the governments under financing. The reason why the public enterprises were sold to private firms was to generate capital that would be invested to remaining state companies. However, this has not happened and therefore, the companies have continued to be under financed thus hindering the productivity and competitiveness in the market.

Table 4. 9: Government involvement in TTCL matters

Government involvement	Frequency	Percent
Government involvement in TTCL	52	89.7
Government does not involved in TTCL	6	10.3
Total	58	100.0

Source; Field data (2017)

Figure 4. 4: Government Involvement in TTCL



The research finding reveals that 89.7% of the respondents believe that the underperformance of TTCL cannot be detached from the political interference. The interference in terms of excessive control which destructs the creativity of the management and other operational support. The government would tend to promote social equity for political reasons without considering the ruining of economic efficiency. During an interview with one of the management members this came out,

“*....our government leaders usually tend to think they are at best having solutions to problems facing this company. Some politicians come up with their own ideas of which we can not contradict but rather act....I would tell you researcher, public enterprises will never make as after a period of time you receive different policy directions from the government. This makes us fold our hands and wait for our time to retire as we are overwhelmingly interfered by the politics of the day*”.
The study considers such claims to be very highly contributing to the inefficiency of TTCL.

As the public institution the government involvement is on the side of decision making and policy amendments. The government intervention is welcome when there are clear signals that there would be some instances of market failure. The government then should withdraw and leave the company to excel after addressing the failure. The contradictions which emerge due to government interference cannot make TTCL a vibrant company that can deliver and compete with other telecommunication companies such as Vodacom or Tigo.

Government involved in all affairs of TTCL to the extent that it reduces the competitiveness of the company. Frequent changes of policies within the company it reduce sense of competitiveness to the company itself since the company need to do according to the government requirement instead of putting effort on ways which can accelerate the company to compete among their competitors. The remaining respondents reveal that the government does not involved itself with TTCL, this could be involved weather lack of knowledge since TTCL is public entity which operate due to government requirements.

4.4 Human capital management factor in Operations of TTCL

4.4.1 Poor staff motivation

Below is the table representing the finding about the issue of poor staff motivation at TTCL as shown below.

Table 4. 10: Perceived Employees Job satisfaction levels

	Item	Frequency	Percentage
TTC poor staff motivation	Poor Staff motivation	53	91.4
	Staff motivation	5	8.6
	Total	58	100

Source: Field data (2017)

Motivation at workplace is a crucial for any organization to prosper. The employees are the ones who ensure the organization realize its goals hence they are key ingredients for any organization performance. The study reveals that TTCL lack or does have no clear way of motivating their employees. Any organization can not functioning well when the employees feel that they are not satisfied with their needs.

Moslow's theory argues that each person has its own needs which are necessary for the wellbeing of individual. Failure to adhere the needs of each employee it resulted to make impossible in realization of organization goals. As the finding reveal that, 53 respondents said the organization does not motivate its employees hence staff don't feel motivated to work in return it make difficult to compete with their competitors. There are lot Telecommunication companies who compete to this dynamic environment and to sustain competition it needs employees who are well capable to overtake any kind of work so as to realize its goals. Ejiofor developed an instrumentality approach where by an individual employee rates his her efforts with the rewards they receive from the organization. When the individuals feel that what they receive is minimal in comparative terms to what they believe they have contributed to their efforts decline slowly and the morale goes down. This invariably creates the potential of a limited competitiveness by the organizations. TTCL is not an exceptional in this case as most employees are unhappy with the job bonuses they get. The rating on job satisfaction gives a picture that the human resources is not at a glance of promoting further the organization objectives

.

4.4.2 Human capital development

Table 4. 11: Staff Development and Training

	Item	Frequency	Parcentage
Traning	Trained	38	65.5
	Received no training	20	34.5
	Total	58	100

Source: Field data (2017)

From table 4.11 the data reveal that the organizational arrangement to stimulate employee development and training is limited. The organization does not value its precious resource who are human beings, is mostly bound to fail as this is a driving capital to competitive potential in the market. Organizations usually have to develop the mechanisms of how they create the potential of motivating the employees for them to be able to deliver accordingly. Training and development of employees not only adds value to individual employees but also to the entire organization.

The traning function of employees is crucial in order to make them updated with changes particularly in technology. The public servants have to under go short tailor made courses in order to sharpen their quality of delivering services. It is also noted that,organizations without clear systems of developing employees would not achieve the competitive advantage in the market. One of the interviewees from the management had this to say

"*The training roster for employees is not observed.Some employees usually get more trainings than others thus paralyzing the morale for others. ..You know what researcher, ...training is associated with dollarization.Hence, it has become a monopoly of some employees and particularly the loyal ones to the management.The rest are abnegated from trainings and thus leading to under performance".*

To validate the above views are cemented by Armstrong (2009) argues that employees are just like the kitchen knife. They reach a point when they become obsolete. The solution is resharpening the obsolete knife. In terms of organizational theory, human resources training promote individual motivation to work as he/she adopts new skills, competencies and attributes. Invariably, this individual trained employee would carry out the duties more efficiently and effectively. Lack of training systems which are well designed and diagnosed make TTCL be pulled down in terms of competitiveness in the market. The rolling and changing nature of operations in the market require well skillfull individuals whose investments has to be done by the mother organization.

In order for organization to realize its goals must provide training to its employees so that can acquire knowledge and skills to overtake particular jobs. For the employees to produce required task at a given time must equipped with training so as to acquire knowledge and skills to help in whole process of realization of organization goals. For the competition market, organization supposed to train its employees to new techniques so as to compete. Most of the respondents reveal that there is no clear training programs at TTCL which made them as the organization to fail to compete with their competitors such as TIGO, VODACOM and AIRTEL. This evidenced in way that while their competitors introduce new products and services such as 4G internet , TTCL remain behind and continues to operate with outdated services which in turn their competitors monopolize the market despite the fact that TTCL is oldest company above all.

4.4.3 Staff Concerns on TTCL business don’t Care Whether TTCL Makes Profit Or Not

This study wanted to know why TTCL is not in a position to compete despite of the comparative advantages it has..The following table depicts the responses to the matter.

Table 4. 12: Employees Ownership of the TTCL business

Profits or losses	Cares about profits or losses	33	56.9
	Does not care about profits or losses	25	43.1
	Total	58	100

Source: Field data (2017)

It was found from the study that TTCL employees care about the well being of the company. This is through 56.9% of the respondents who said they were having some concerns about the status of the organization. This reveals the patriotism of the employees to their organization. The reasons would be clear because the current government of president Magufuli has already sent the clear message to all government owned enterprises. The non performing enterprises would be abolished or merged to other organizations to reduce wastages. This makes the employees feel the concern as they would not want to lose their employments. Its therefore, natural that, employees have to feel a pinch when TTCL does not deliver accordingly. The 43.1% of respondents who shown no concerns about the organizational performance might be the junior staff who feel that can move at any time and join other organizations. The junior cadre of employees tend to seek for green pastures and their mobility is very high. Therefore, it is very rare to find them bothering much over the organizational performance status. The important matter in this regard is for TTCL management to ensure all the employees own the agenda of TTCL. The increased transparency would allow all the employees to feel to be a part and parcel hence, the combinatorial factors would make TTCL competitive and strong as well in the market.

4.5 Financial Management Aspect

The following variables were offered by the respondents as being affecting the performance of the company. The reasons pertaining to financial management are diverse and hereby described categorically below in table 4.13.

Table 4. 13: Perceived Corruption Behaviour at TTCL

	Item	Frequency	Percentage
Corruption	Too much corruption	35	65.5
	No corruption	23	34.5
	Total	58	100

Field data, 2017

Table 4.13 reveals that corruption is perceived by employees as leading to financial mismanagement of the company and thus limiting adequate budget implementation startegies for escaling the competetiveness in the market. Definetely, the company develops internal finacial capacity that poses it to the underperformance in the market.Imperfect competition has been accelerated by the corrupt practices and interferences in the decision and running operations of TTCL.The consequences of weak organization on the government structure of TTCL leads to an inferior competition of the company with other telecommunication organization like VODACOM and Tigo.About 65.5 percent of respondents mentioned corruption affect the implementation of the TTCL budget and minimize the competitiveness of the organization.

The perceived corruption behaviour by the employees towards the management may be due to power distance. This means that, the limited participation of employees in organizational matters as well as the limited transparency on the side of the management make lead to employees developing such allegations. The public enterprises have to be managed under a good trust of the public to avoid the agency challenges. The lack of trust between employees and management may lead to serious crippling of the performance. The management has to learn and involve the employees in order to create the ownership. Trust building in organization is through developing an interactive structure whereby the employees and management feel to be one team that play for winning the vision of the organization.

The analysis found that poor adherence to the laid down procedures of the finance management affect the performance of TTCLand reduces competition.The study noted that the memos from politicians and other appointed officials affect the follow up of the implemented plans by TTCL.Therefore, government and TTCL managers are urged to follow procedures and laws asserted to employees with regard to state-owned enterprises(Adam, 2011).The observance of the good corporate management principles will make TTCL a vibrant and stable company that delivers to the best of the tax payers money.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1Summary of the Findings

It is observed in this study that TTCL is having a competitive potential in terms of human resources, finance and the political intervention. The government takes care of its enterprise though the enterprise does not yield enough in terms of efficiency. The respondents were of the views that the organization has whatever it takes to capitalize its position in market. The respondents revealed a high level of morale to work for TTCL and were ready to offer their valuable support in order to push further the sustainable competitive advantage of the organization. The TTCL has many experts in terms of degree and master holders who would invariably promote the potential of competition in the market. The most interesting issue in terms of the TTCL competitive advantage is the issue of having a young chunk of employees who if given opportunity can enhance creativity and innovativeness for the development of the company.

TTCL while enjoys the government intervention to address its failure to compete, the political interference seems to overwhelm its functioning in terms of goals and objectives. The political class seems to prevail over the expertise and thus making TTCL managements decisions to be limited and thus succumb to the pressures of the politicians of the day. This implies that, TTCL requires the hand off and eyes on principle to apply for it to be able to transform and cascade to the next level of telecom global market.

Moreover, there are issues of concerns in terms of human capital management. The employees perceive the management to be not caring adequately over their welfare. The employees depicted a high level of dissatisfaction, which believably cannot lead to productivity. This would be the reason why there is a perception by the ordinary employees there to be a financial mismanagement in the company.

Given all these factors, TTCL cannot become a competitive entity in market despite enjoying the government subsidies.

5.2 Conclusion

State-owned enterprises (SOEs) are important for the developing countries and have many contributions to the economic prosperity of Tanzania. Despite the potentials of the SOEs, the performance of most of these SOEs are poorly organized, and the growth has been declining year after year.The performance of SOEs do not reflect the course of their establishment and have not managed to meet the target.

Today, most of SOEs have failed to compete due to various challenges. Since the primary purpose of this study was to assess the factors affecting the competitiveness of State-owned enterprises, this study has identified various factors necessary for understanding its effect on the competitiveness. Findings of this research indicate that TTCL has failed to meet the expectations despite being partly privatized. The conditions that existed before the privatization of the company are still in existence. Hence, this preludes the thinking that privatization of state owned enterprises is panacea to productivity and competitiveness of the enterprises.

5.3 Recommendations

Training is a major factor affecting the competitiveness of the SOEs .This factor plays a significant role in improving the morale, skills, and knowledge of employees who are necessary for ensuring the SOEs meet the standard competition. Results from this research noted TTCL does not have clear training programs to equip their employees with skills and knowledge for survival of its company. For any SOE's the management should ensure that it provides different training so as to compete in this dynamic environment. Drawing example from this study TTCL fail to compete due to the fact that it lack behind some knowledge and skills which their competitors have.

It is recommended that, TTCL in order to ensure they compete well it should establish motivation packages to offer to their employees. Motivation can internal drive employees to decide to take action towards specific goals which assigned by

the management. This creates morale for employees in different perspective. It therefore recommended that TTCL should ensure that it find way to motivate their employees so that they can perform their assigned duty effectively.
However, the human resources department at TTCL head Quarters should employ qualified and expertise employees who will be able to initiate changes within the organization as well as to come up with different products and services so that TTCL can compete to this dynamic environment.

Another recommendation is that, the government should not involve itself with the operation of TTCL instead should ensure that it provide good environment for the organization to operate effectively. Intervention of government should occurs only in particular circumstances which need the hand from government like provide good policy to ensure the company operate effectively as well as to find good ways which can be used by TTCL in all issue concerning debts owes by TTCL to other public institutions so that TTCL can have enough income to operate effectively.

5.4 Further Research Areas

Corruption in this study received high rating indicating the presence of corruption which in one way or another it affecting the running of TTCL operations. Although this research has managed to outline that corruption to some extent occurs at TTCL but it failed to come up with what it caused corruption at TTCL. It recommended that there should occur further research so as to understand causes, roots, and ways to overcome corruption prevailing in TTCL.

In this qualitative single case study, the primary limitation was the sample size of the participant. This research study focused on analyzing factors affecting SOEs competitiveness in TTCL. It makes sense for another researcher to include large sample size with multiple case studies to allow comparison. This study can be extended by making a comparison between Small and medium enterprises (SMEs) of private sectors and State-owned enterprises (SOEs) so as to know exactly where there is a problem to the (SOEs)

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APPENDICES

Appendix I: Permission Letter from Mzumbe University

Dear Sir/Madam,

I am a student of University of Mzumbe University conducting a study entitled: **F*actors affecting competitiveness of state-owned enterprises (SOEs) in Tanzania, with respect to TTCL*** as partial fulfillment to the requirements for the award of Master of Science in Human Resources Management (Msc-Hrm) of Mzumbe University. The information given will be treated with maximum confidentiality and for academic purpose only.

This study is purely academic and you are hereby assured that whatever information is provided will be highly confidential. Instructions: Please kindly tick the box that clearly expresses your view about a question. Your participation in this study is purely voluntary, and you are free to stop at any time before the end of the interview. Remember, your failure to answer any of the questions will not in any way be detrimental to you.

Your contribution will be highly appreciated.

Spare some of your valuable time to answer the following questions.

APPENDICES APPENDIX II: Questionnaire to TTCL staffs

The objective of this questionnaire is to collect data related to Factors affecting competitiveness of state-owned enterprises (SOEs) in Tanzania, with respect to TTCL. The researcher wishes to assure you that the information provided will be used solely for academic purposes only. Please, fill or tick the appropriate answer where applicable. If the space is not enough write at the back of the paper or attach another paper.

SECTION I: DEMOGRAPHIC BACKGROUND

1. Designation of Respondent…………………………………………….………
2. Department ……………………………………….………………………
3. Functions: ……………………………………………………………...
4. Number of years in current position ……………………………………………
5. Working years in the organization ……………………………….…………
6. Other positions held………………………………………………………

7. Sex (*tick where appropriate*): Male 1 ( ) Female 2 ( )

8. What is your age? (Circle the most appropriate age group number)

1	2	3	4
18-25	26-35	36-45	46+

9. What is your marital status? (Circle the most appropriate number)

	1	2	3	4
10.	Single	Married	divorced	Widow/widower

11. What is your level of education? (Circle the most appropriate number)

1	2	3	4	5	6	7	8
Primary	Secondary	Secondary	Certificate	Diploma	Degree	Masters	PhD

SECTION II: Extent to which political interference leads to poor performance of SOEs

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Statement Strongly Disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5).

	Question	1	2	3	4	5
		Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Agree	Strongly Disagree
1	There is a lot of pressure from politicians					
2	Some politicians interference with running of TCCL					
3	TTCL owes some public institutions big debts					
4	There is a lot of pressure from politicians					

SECTION III: Extent to which overprotection affects competiveness of SOEs

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Statement Strongly Disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5).

	Question	1	2	3	4	5
		Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Agree	Strongly Disagree
1	TTCL is not allowed to compete					
2	Much subsidies including paying of salaries					
3	There is a lot of government involvement in all aspects					

SECTION IV: Extent to which poor attitude has limits competitiveness of SOEs

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Statement Strongly Disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5).

	Question	1	2	3	4	5
		Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Agree	Strongly Disagree
1	There is poor staff motivation					
2	Staff don't care whether TTCL makes profits or not					
3	Some staff are not well trained; they are given jobs due to their close ties with politicians					

SECTION V: Extent to which poor financial management limits competitiveness of SOEs

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Statement Strongly Disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5).

	Question	1	2	3	4	5
		Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Agree	Strongly Disagree
1	Too much corruption as lots of money for TTCL is misused					

SECTION V: Suggestions

Kindly give us your suggestions as to what should be done to improve the situation and make these SOEs like TTCL more competitive.

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