**Fixing the power sector**

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Whilearguing in favor of a vision-led strategy to manage our power sector against the current issue-driven approachesand to underscore the criticality in this regard ofa flexible, agile, and responsive institutional structure, this writer had observed that “we cannot expect space-age performance from a stone-age institutional setup.” (Fixing the power sector: how not to do it right, Daily Times: January, 16). Some readers were thrilled by this statement while some others were notimpressedat all and felt that it amounted to “undermining”of our institutions. The present essay has been prompted by the remarks of this latter group.

Perhaps, the writer didn’t articulate his case well since he strongly believesin the maxim that failure should always be considered an eventand shouldn’t be attributed to any person or entity.Provided we learn from them, nations oftenemerge stronger from setbacks and failures. Confucius had aptly noted, “When it is obvious that the goals cannot be reached, don’t adjust the goals, adjust the action steps.” It was essentially with the ancient Chinese sage’s timeless advice in mind that this writer had made the above statement, and definitely not to undermine, ridicule, or discredit any person or entity.

We live in a world in which change is the only constant. As individuals, communities, institutions, or business enterprises, we are under constantstress to adapt to the changing world. So are the ways we use to deal with the challenges it presents. Societies and organizations that remain rigid and inflexible gradually becomeextinct, those that successfully adapt, survive, and those that confront the challenges head-onwith a positivemindset, and pull opportunities out of these, actually thrive.

We may be passing through an epoch of history which the noted management thinker, Peter Drucker, had characterized as “knowledge economy”. According to a report, knowledge now accounts roughly 75 percent of the value-added even in manufacturing industry. It’s having a serious toll on many businesses historicallyconsidered stable. Energy markets have also gone topsy-turvy in the past decade. Most electric utilities face stagnating demands in their systems as large and energy-guzzling industries are giving way fast to smallerand knowledge-laden high-value products and services. Electricity consumers are also no longer captive to their local grids and now have multiple options at their hands.

***As the environment facing them becomes more complex and varied, organizations must adjust, realign, and reposition and do it quickly to keep competitive advantage***

Utilities areunder growing pressures to adapt to the changed, and still changing, energy market, or risk bankruptcy. Monolithic and bureaucratic structures with tight vertical hierarchies and centralized managerial control are rapidly turning into relics of the past. In their place, lean, granular, organic, and loosely-tied entities in the value chain are emerging andwith lateral decision-making and participative management approaches, and areproving more effective in dealing with the vexing challenges of the turbulent energy market.

There is consensus in literature that when a business confronts disruptive challenges, mere improvement in its routine functions wouldn’t suffice.To keep it afloat, and help it grow, it must be transformed by rethinkingits mission, strategy, organizational structure, and managerial practices.Since we have already discussed the disruptive challenges of the energy marketplace in these columnsbefore, we will not repeat them, and leaving the strategy issues for the future, will focus only on the need to transform the power sector’s institutional arrangement, its structure and processes, managerial approaches, and culture.

The disruptive challenges have rendered the traditional approach to running the electric utilitybusiness—centralized generation, transmission and distribution, and delivery—practically obsolete. Our hopes to deal with the power sector issues by functional unbundling, introducing competition in its contestable functions, and privatizing the generation and supply portions of the distribution may not succeed unless a systemic overhaul is carried out in itsinstitutional structure.

Privatization and competition is promising but not without perils. As a general observation, over 95 percent of new business startups fail in the first year of their inception. The number of truly successful ventures is even much lower.As such, there is much more to success in any business than privatization and competition alone. And one such factor, as noted at the start, is the flexibility, agility, and the adaptive character of the private enterprise (its leaders and managers, its work processes and systems, and its culture and people) that separates successful from a failure.

As the environment facing them becomes more complex and varied, organizations must adjust, realign, and reposition and do it quickly to keep competitive advantage. During turbulent times, their form, functions, and routines become less important while their leadership, strategy, and competenciesgain more importance. They must become adept and agile in responding to change to keep or gain competitive edge.  It has clearly been established that smaller and less hierarchical organizations are more capable of creativity, innovation, and agility to market changes than their large and rigid competitors—three key features of any successful enterprise.

Leadersand managers in turbulent markets have a special role to play as they are expected to provide vision, inspiration, and conviction. They must also set the pace and sequence of the transformation being desired.As “good organizations require good managers”, managers are the true change-agents of the organizational transformation process as they have to lead the new processes and work streams, and also to guide their successful implementation by keeping up staff’s morale and prevent fatigue and cynicism from setting in that often accompanies such radical change processes.

Established and time-tested organizational processes and work routines are very effective and efficient in stable and monopoly businesses as the electric utilities have enjoyed for much of their history. These processes are, however, less feasible, and even restrictive, in business environments that are characterized by uncertainty, complexity, rapid changes, and increased competition because they impede the organization’s flexibility and limits its ability to adapt to the changing demands and opportunities.

There is strong supportive evidence that the primary cause of failure of previous transformation efforts has been the failure to change the organizational culture (a pattern of shared basic values, norms, and behavior in dealing with internal work and external customers). Organizational culture is important for promoting innovation, acceptance of new ideas and perspectives, and the requisite organizational change. For long-term success, however, a particular culture may be less important than the capability to effectively manage and change the culture over time to adjust to the changes in the situation and the needs of the organization.

Privatization and competition isn’t a panacea for all the power sector’s illsas some of their proponents would have us believe. It’s fraught with many uncertainties and risks, and in particular if these are imposed in our current setup where the enabling conditions requisite for their success still do not exist despite repeated promises by successive governments. A glaring example is the lack of the reform-supportive institutional capacity which continues to appear in documents but not in reality.

The mess that we see in our power sector today hasn’t just struck us as a thunderbolt. It’s the culmination of decades of ill-advised policies devised and implemented on personal whims and vested interests, bypassing the usual institutional policy, planning, and decision-support channels. We are not suggesting that the reform process already set into motion should be stopped or reversed. All we are suggesting is that this time around the government and its entities entrusted with the present reform process should ensure that all the enabling conditions and supportive institutional capacity essential for its success are also provided on the ground.

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