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# The Impact of Three-Dimensional Organizational Change on Laos Electrification

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# Walden University

College of Social and Behavioral Sciences

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Xaypaseuth Phomsoupha

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Review Committee

Dr. Kirk Williams, Committee Chairperson,  
Public Policy and Administration Faculty

Dr. Joshua Ozymy, Committee Member,  
Public Policy and Administration Faculty

Dr. Mark Gordon, University Reviewer,  
Public Policy and Administration Faculty

Chief Academic Officer  
Eric Riedel, Ph.D.

Walden University  
2017

Abstract

The Impact of Three-Dimensional Organizational Change on Laos' Rural Electrification

By

Xaypaseuth Phomsoupha

MA, the Australian National University, 1996

BA, Prague University of Economics, 1985

Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of

Doctor of Philosophy

Public Policy and Administration

Walden University

2017

## Abstract

The government of Laos has carried out regressive organizational changes in its electric power sector including deregulation, decentralization, and devolution. As governmental agencies attempt to improve their organization, little is understood about the impact these changes have on the electric sector. Using Burke's organization change theory as the foundation, the purpose of this qualitative study was to explain the impact of organizational change on rural electrification in the Champassak Province, Laos. Data were collected through semistructured interviews with 20 participants representing governmental agencies, private entities, and nongovernmental organizations. Data were also collected through observation of a public consultative meeting and reviewing of publicly available documents, both of which were related to electrification. Data were inductively coded and analyzed using a thematic procedure. According to the study findings, organizational change helped expand electrification at the early stage. However, shortcomings such as setting onerous tax rates and promulgating convoluted laws by the public sector have caused static growth in both the trend of project finance and electrification recently. The positive social change implications stemming from this study include recommendations to local policy makers and legislators to tailor the fiscal policy and statutes, which may support wider electrification efforts in the Champassak Province.

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## Dedication

I dedicate this doctoral dissertation to my beloved mother, Madam Houg Phomsoupha. Whilst spending my childhood in the countryside she instilled in me that education itself was for all, regardless of one's birth. Although my mother could not witness my academic achievement in person, her dream has motivated me to take a long academic journey that just crossed the paramount finish line at Walden.

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## Chapter 1: Introduction to the Study

### **Introduction**

Organizational change takes place as humans respond to the changes of environment. Organizational change also takes places in order for organization leaders and followers to attain a common goal (Burke, 2011). Researchers have studied organizational change in various dimension (ie, deregulation, decentralization, and devolution); however, to date, the research has been conducted in random pairings of dimensions and sectors (Sheely, 2012; Sosin, 2012). Scholars have focused on the effects of organizational change undertaken in each of the three foregoing dimensions in different sectors. In addition, researchers have not explored the effects of organizational change in many dimensions on one organizational setting (Catherine, 2014; Feng, Ljungwall, & Guo, 2013; Mansri, 2012; Ayres & Stafford, 2011; McGarvey, 2012; Pheko, 2013; Shair-Rosenfield, Marks, & Hoogle, 2014). This study will fill a gap in the literature by adopting a more comprehensive and structured approach in order to explore organizational change concurrently carried out by the Lao public sector in the three selected dimensions of deregulation, decentralization, and devolution. The impact of organizational change in the three-selected dimensions on private organizations investing in electricity generation projects for the supply of rural electrification was unknown.

Chapter 1 of this study includes the following sections: introduction, background of the study, problem statement, purpose of the study, research questions, conceptual framework, nature of the study, definition of terms, assumptions, limitations, scope and delimitations, significance and social change, and summary.

## **Background of the Study**

### **Governmental Organizations in Laos**

Laos, landlocked and mountainous, is administratively divided into 18 provinces and governed by a unitary system with executive, legislative, and juridical powers. Each of the powers has its seat at the central level. The legislative branch has consolidated its law-making power only at the central level of the government. However, the executive and judicial branches have their respective subordinate units functioning at the provincial levels, according to their mandates as have been delegated from their superior hierarchies (National Assembly, 1991, 2003). The subordinate agencies of the executive and judicial powers are dependent on their central organizations. Likewise, core matters including policy making, national defense strategy, diplomatic affairs, national budget, and education at the university level and above are not decentralized to any provincial governments (National Assembly, 2006, 2011). Provincial governments function as the subordinate units of the unitary of government.

Champassak Province is a subordinate unit of the government. It is the third largest province after Vientiane Capital and Savannakhet; it is populated by 642, 615 people of diverse ethnicity, and it covers an area of 15, 415 square kilometers (Lao Statistics Bureau, 2015). The population is mostly concentrated in the provincial capital and its suburban vicinity while the rural area is sparsely populated. Service and tourism sectors are well developed in the provincial areas (Governor Office Champassak, 2014). Agriculture-based outputs of the province consist primarily of agro-processing products including paddy rice, coffee, tea, fruits, and legumes. Champassak is one of the well-known coffee-producing areas in Southern Laos. In addition, a number of industrial



facilities such as agro-processing, mineral processing, and manufacturing have emerged in the province (Governor Office Champassak, 2014). Although the country's electric system is not divided in the same way as the administrative structure, the authorities of Champassak Province are responsible for expanding electrical networks in their provincial jurisdiction in order to meet the increasing demand.

### **Organizations of the Public Power Sector**

Electricity generation and distribution is managed by government agencies at different tiers that consist of the Ministry of Energy and Mines seated at the central government and Divisions of Energy and Mines constituting a subordinate agency in each province. According to the Department of Energy Business (2015a), there are a number of state-owned enterprises that operate and exercise corporate power carrying out electricity development in the country. A government regulatory body at the central level approves and regulates electricity tariffs, which are differentiated by voltage and dispatch quality, to be applied to all categories of the consumers throughout the country (Ministry of Energy and Mines, 2011). The electricity tariffs are built upon a long-run marginal cost applied to the whole country's electric system. Many other governmental sectors, such as water resources and the environment, public works, investment management, and general administration, are involved in approving new electric power projects.

Electricité du Laos (EdL), which is one of the three electricity-related, state-owned enterprises, has a branch office in every province that is financially and administratively dependent on the headquarters seated at the central level. EdL is in charge of (a) buying electricity generated by different power plants and (b) supplying electricity to load demand centers and household consumptions in the country

(Department of Energy Business, 2015b). Electricité du Laos Generation (EdL-G), which was segregated from EdL, has its 25% interest listed on a local stock exchange. EdL-G also invests in private projects as a minority that supplies EdL grids (EdL-Gen, 2014). Lao Holding State-owned Enterprise (LHSE) represents the Lao government in holding shares in large-scale power projects, mainly for export. Electric Construction and Installation Corporation (ECIC) specializes in infrastructure development and jointly develops small-scale power projects located across the country.

### **Public Sector Reform Profile**

As the previous organizational system did not support the development of the national economy in the new environment, the Lao government has introduced various reform programs to its public sector since 1986. The government introduced the New Economic Mechanism (NEM) as its reform initiative. NEM deregulated the Lao power sector by recognizing different ownerships (Committee for Planning and Cooperation, 1986). In keeping with NEM, the Lao government prioritized the electric power sector in expanding household lighting and leveraging various industries, procession, manufacturing, mineral extraction, and agribusiness in the country. Private entities were invited to undertake production of goods and provision of services in order to contribute to different sectors of the Lao economic system, including the electric power sector (Committee for Planning and Cooperation, 1986). Private involvement in the Lao electric-power sector can be found in different forms including sole private investment, public-private joint venture, and business by contract. Private organizations partaking in the generation and distribution of electricity were the suppliers of heavy equipment and machinery, contractors of civil works, insurers, collateral security providers, and

financiers (Committee for Planning and Cooperation, 1986). In addition, several international, nongovernmental organizations opened their representative offices in the country. Ultimately, the views of nongovernmental organizations being incorporated in project design and environmental protection were essential for commercial lenders before they considered financing to be used in developing different power generation projects in Laos.

In 1997, the Lao government proceeded to take a step further in its reforming program by assigning its decision-making power to the provincial governments. The Lao government allocated governmental functions that used to be performed at the center to its provincial layers. The provincial authorities were granted the power to approve and monitor electricity generation projects having the installed capacity equal or less than 5 megawatts and later increased to 15 megawatts (National Assembly, 1997, 2011). Several private entities participated in the investment, construction, supply of equipment, provision of consultancy works, and financing. Privately-owned companies operate a number of power projects that supply electricity to different load demand centers, and some projects directly export electricity to the grids of the neighboring countries of Cambodia, Thailand, and Vietnam.

Since 2010, the central government has transferred tax-raising powers to the provincial authorities to tax electricity businesses and their related activities operating in their respective jurisdictions. With the devolved power, the provincial taxing authorities collected personal income tax, contractors' profits tax, and tax on procurement made in the provincial jurisdictions (National Assembly, 2011; Office of the Prime Minister, 2010). In addition to the power to tax local businesses, responsibilities of formulating

strategic plans in respect of the provincial power development were devolved to Champassak Province authorities. The provincial energy divisions were also assigned to monitor the operation of projects in their respective provincial areas.

Ultimately, organizational changes in Laos have enjoyed change in all of the three dimensions since 2010. Many public, private, and nongovernmental organizations that have embraced organization change are directly involved in the works in relation to power generation. The development process of power generation includes undertaking technical studies, providing a consultancy service, financing, granting approvals, construction, supplying materials and equipment, and monitoring work. Hence, organization change in deregulation, decentralization, and devolution as having been carried out in connection with the Lao power sector is referred to as “three-dimensional organization change.”

### **Fiscal Policy**

Although power to collect taxes was devolved to the provincial governments, the power of fiscal policy making is still vested in the authority of the central government (National Assembly, 2010). There may be a number of interplays between the requirements of private investment and fiscal policy as enforced on private entities from time to time. The private entities have relied upon certain financial criteria (i.e., a net present value (NPV) of financial profits and an equity internal rate of return (EIRR) for private investors). Likewise, financiers including commercial banks have used a debt service coverage ratio (DSCR) as the indicator before they make a decision on whether or not to consider debt financing for the power projects invested in the local areas (Mishan & Quah, 2007; Perkins, 1994; Phomsoupha, 2012). Financially, NPV, EIRR, and DSCR

may have been significantly influenced by the degree of the fiscal policy pertaining to taxes, resource usage levies, and fees as imposed on the private entities by the relevant provincial authorities. When the government changes its fiscal policy, the private organizations may have their business interests altered accordingly.

### **Electrification**

On average, around 90% of the total households in the country have access to a reliable electricity supply, while the remaining 10% are still living in darkness. In Champassak Province, the number of families that have access to grid electricity is higher than the country's average (Ministry of Planning and Investment, 2015). The families that have access to grid electricity mostly reside in prefectures and suburban areas. There are a few privately-owned power projects under operation, supplying electricity to the inhabited areas in the province. It is, however, forecasted that the demand for electricity for the industrial sector will grow by 8-10% per annum over the next 5 years (Ministry of Planning and Investment, 2015). Although the demand for electricity in the country has steadily increased, resulting from rural development coupled with continued electrification, the demand may not be met if the sources of supply do not increase at the same pace. When there is a disparity between the supply and the demand, according to an economic equilibrium theory (Benanke, Olekalns, & Frank, 2011; Gang, King, Stonecash, & Mankiw, 2009; Jackson & McConnell, 1980), organization change does not take place progressively.

## **Problem Statement**

Organizations in Laos have experienced progress, and at the same time, have sustained regression in carrying out deregulation, decentralization, and devolution over the past few decades. Organizational change as embedded in the public sector reform programs has been undertaken in the context of the Lao power sector. The reform objectives were to encourage diverse organizations to contribute to a power generation taking place across the country where people envisioned realizing full electrification by 2025 (Committee for Planning and Cooperation, 1985; Ministry of Planning and Investment, 2015). Having launched such organization change over the last decades, the Laos government has allocated power to its subordinates and private organizations with little outcome-based assessment (Gomez-Reino, Martinez-Vazquez, & Sepulveda, 2011; National Assembly, 1997; St John, 1997). The effects of three-dimensional organization change on private requirements pertaining to investment in the power generation was previously unknown. In the Champassak Province, like many other provinces in the country, electrification expanded after the public-sector reform programs were introduced. From the outset of public-sector reform programs, several private entities have established their businesses in order to run mostly large-scale power projects located across the country (Department of Energy Business, 2013, 2014). These large-scale power plants, which were approved and managed by governmental agencies at the central level, have supplied electricity to large load demand centers, such as the prefectures and townships of all provinces in the country. The remaining remote areas of the provinces are yet to be electrified, and this will be mostly generated by privately-own power plants. According to the existing power policy, power plants with installed capacity of less than

or equal to 15 megawatts are approved by the provincial governments. However, several private companies registered in the provinces have failed to achieve financing for new power projects.

Electrification, however, has not progressed after the functions and decision-making power for approving and managing certain kinds of power projects were transferred to the provincial governments (Ministry of Planning and Investment, 2015). The static electrification has resulted from a lack of additional electricity being supplied to the grids by power plants, which should have been developed by the private sector. When no additional electricity generation is secured, the steadily increasing demand, particularly in the rural areas, is unlikely to be met. No government agency has evaluated analytically whether or not organization change in the three selected dimensions suits change in the Lao power sector with the new operating environment. Scholars have examined organizational change in respect of deregulation, decentralization, and devolution, each of which was examined randomly and separately in a different sector (Ayres & Stafford, 2011; Catherine, 2014; Feng et al, 2013; Mansrisuk, 2012; McGarvey, 2012; Pheko, 2013; Shair-Rosenfield et al., 2014). Researchers were unable to explain a link between outcomes of multidimensional organization change including deregulation, decentralization, and devolution as so applied to the single government sector and the requirements of the private sector participation in infrastructure development such as electricity generation. As the impact of multidimensional organization change on a single organizational setting had been ignored, more research was needed to explain the organization change happening to the Laos power sector in an attempt to leverage private investment.

### **Purpose Statement**

The purpose of this study was to examine how organization change in the form of deregulation, decentralization, and devolution resulted in change in private organizations by way of increasing private investment in the power generation projects in Champassak Province. When private companies raised funds for the construction of new power plants, they should have made electricity available for rural electrification. The government believed that the three-dimensional organization change would facilitate private businesses and the third sector to participate in developing electric power plants, which would support the electrification in the rural area (Committee for Planning and Investment, 1986; Ministry of Planning and Investment, 2015). Consistently, private organizations survive when the environments (including institutional arrangement, legal, and fiscal policy) are favorable (Phomsoupha, 2012). In the process of organization change, the government applies its tools such as institutional arrangement, fiscal policy, licensing process, and public management in leveraging private investment. Luqmani and Quraeshi (2011) stated, “the role of government should be considered vital and ongoing in balancing the development of private sector with public support, and in regulating business” (p. 266). Change in governmental organizations causes change in other types of organizations, including private entities and the third sector organizations that operate within the same jurisdiction. The private entities, including private lending banks, have set their organization’s objectives as articulated in financial criteria that incorporate government supportive measures, for making a decision on investment in electric power projects in the country (Phomsoupha, 2012). When change in governmental organization fosters an encouraging environment, private organizations prosper. Nevertheless,



organization change in the three selected dimensions as undertaken by the Laos government could have either adversely or favorably affected private undertaking that depends on the government policies. Problems concerning private undertaking in electricity generation occurred just after organizational change took place. Hence, I also explained why many private power companies registered in Champassak Province have failed to achieve financing for the development of new power plants. I also explored how organization in the Laos power sector need to change in order to induce an environment favorable for the private sector to invest in electricity generation projects.

### **Nature of the Study**

A qualitative methodology was applied to this study because the research problems explored were apt to be addressed by descriptive words. Qualitative study intertwines interpretation of human actions and the world in its reality, making the assumptions analyzable and creating the facts explainable (Creswell, 2013). In addition, I employed a case study approach to focus on the research problems discovered in the research site. Using the case study approach, researchers addressed “how” and “why” research questions. Likewise, researchers have no control over actual behavioral events, but focus on actions happening contemporarily (Yin, 2014). A case study approach allows researchers to retain “a holistic and real-world perspective—such as studying individual life cycles, small group behavior, organizational and managerial processes, neighborhood change, school performance, international relations, and the maturation of industries” (Yin, 2014, p. 4). Given the unitary status of the Laos government system, the population of this study on organization change were people from the public organizations, private entities, and the third sector. Research participants were

purposefully selected from the population from the foregoing organizations. A qualitative study involved data collection through interviewing participants in Champassak Province and the review of documents. In conducting a qualitative study, researchers need to make field research for a long period (Creswell, 2013). As the researcher, I made four trips to Champassak Province during a period of 2 months. Participants were purposefully selected for interviews. A total of 20 participants representing organizations directly involved in organization change in relation to the power generation were interviewed; one participant from each of the law-making branches and fiscal policy units at the central government level were interviewed; additionally, interviews with other 18 local government officials, executives of power utilities, private commercial banks, power companies, consulting firms, and heads of governmental organizations representing the power consumers took place in Champassak Province.

### **Research Questions**

The central question for the research was the following:

Central question: How effectively has the Laos government applied the three-dimensionally organizational change to make change in the power sector in order to leverage private participation in developing power projects in the provincial area?

In addressing the problem statement to understand the link between organizational change and the requirements of the private sector as the change factors, I employed three subquestions:

Subquestion 1: Why does organizational change (i.e., deregulation, decentralization, and devolution as implemented in the public power sector) induce a

consequential change in the sectors other than the government in the Champassak Province?

Subquestion 2: How effectively do the outcomes of the three-dimensionally organizational change respond to the requirements of private finance in developing new electric power projects located in the Champassak Province?

Subquestion 3: Why do privately-invested power projects support the rural electrification program in the Champassak Province?

In addressing the central question, I explored change purposes as set by the selected organizations involved in developing electricity generation sources. The answer to Subquestion 1 helped me to explain the complexity of organizational change in the Laos governance. Change in governmental organizations became environment inducing change in organizations of other types, such as private entities and nongovernmental organizations. With Subquestion 2, I gathered information regarding the modes of organizational change useful for private companies searching for new electric generation projects. Governmental organizations have to tailor change to the needs of the private companies when they want to foster positive change in private organization. Lastly, the answer to Subquestion 3 helped me to explain why the outcomes of organizational change have contributed to electrification in the Champassak province.

### **Theoretical Framework**

For the study, I used a theory of organizational change as defined by Burke (2011). A theoretical framework of organizational change that has been implemented in the form of deregulation (Carter, 2013; Luqmani & Quraeshi, 2011), decentralization (Gomez-Reino et al., 2011; Yilmaz et al., 2010), and devolution (Law & Mooney, 2012;

Sosin, 2012) can be found in research in the field of public administration. Researchers have established theoretical frameworks from the connections between two or more variables that help to explain the environment and actions of human beings (Creswell, 2013). The theoretical frameworks provide a definition of the creation of scientific knowledge as the theories that frame realistic examination on natural phenomena and human actions, as found in the existing world (Reynold, 2007). Qualitative researchers set their assumptions as the preliminary step that leads them to an intended subject. The next step is to explore what is to be obtained from the study and for whom the study results are intended. Qualitative researchers set the conceptual frameworks before they establish philosophical and theoretical frameworks in the research process (Creswell, 2013). Keeping a philosophy in mind, qualitative researchers explore research problems, from which research questions on subject and study nature can be created.

Using Burke's (2011) theory of organizational change, I explored a link between the public-sector reform programs including deregulation, decentralization, and devolution, and the requirements of the factors of change of private organizations involved in the financing of electric power projects in the Champassack Province. I used a case study to explain why organizations changed in both structure and culture as implemented by the public sector, which helped create favorable conditions for the influx of many private organizations into the power sector. A number of private companies were established in the Champassak Province to search for the possibilities of new power projects for development. However, the trend of private investment in the power generation projects in the Champassak Province has been static after the province embraced organizational change completely in all three selected dimensions (Department

of Energy Business, 2015). Consequently, the electrification in the rural area of the Champassak Province is not progressive. In addressing the problems, I used a case study to show why the influx of private organizations did not increase the trend of private financing in the power generation projects. The organizational change theory of Burke framed my study on change in organization happening in the context of the contemporary power sector of Laos, considering the present organizational and legal environment.

### **Definition of Terms**

*Decentralization:* A public-sector reform program, whereby the government allocates its power and functions from the center to lower tiers and organizations other than the governmental agencies.

*Deregulation:* A public-sector reform program, whereby the government does not monopolize its control over sectors within its jurisdiction. Some sectors may open up for private entities and nongovernmental organizations.

*Devolution:* A public-sector reform program, whereby the government devolves tax raising power together with functions to its lower tiers.

*Electrification:* Consumers of all categories have access to a reliable grid supply of electricity.

*Electrification ratio:* An average percentage of families that have access to grid electricity.

*Energy:* Electric power or power generated from power plants located throughout the country of Laos.

*Financial criteria:* Certain financial measures as are required by profit-making businesses before they make a decision on investment.

*Long-run marginal cost:* The generation cost of the same amount of energy established on a least cost concept as may be purchased from other sources, such as the new power plant or acquired from a new supplier, taking into account government taxes to adjust a buying price per unit.

*Organizational change or organization change:* Change in organization happens in either structure or culture.

*Power plant:* A factory where electric power or power is generated for the supply to industries and households.

*Private business:* An organization involved in developing power projects including shareholders, securities providers, contractors, suppliers, and lending banks.

*Province:* A set of local government authorities that have control within a geographical area as designed by law.

*Three-dimensional organizational change or Three-dimensional organization change:* Three selected organizational change that has been carried out in the forms of deregulation, decentralization, and devolution.

### **Assumptions**

It was assumed that the participants engaged for this study were truthful. I also assumed that all participants who agreed to respond to my questions during the interview provided information from what they knew and understand of the context. There were not any external factors diverting the participants' cooperation during my stay at the study site. Purposive sampling designed for selecting cohorts of participants, who represented the public organizations, private entities, and the third sector, was considered as a proper sampling strategy. I also assumed that the current legal circumstances, whereby the

electricity tariffs were established by a policy of the long-run marginal cost, continued to be in full force until the end of the time horizon of the study results. With the pertinent policy of the long-run marginal cost, electricity made available by the generators was affordable by all categories of the consumers in the Champassak Province. Finally, I assumed that the increase in megawatts of electricity provided by the privately invested power plants and degree of the electrification in the rural area of the Champassak Province related to each other.

### **Limitations**

This qualitative study was subject to four limitations. First, as organizational change started since 1986 and aimed at attaining the country's full electrification by 2025, the timeframe limits the study findings being applicable to another time horizon. Second, as the study was conducted in the Champassak Province, it may limit the generalizability of the findings to other provinces in the country that have different electric connecting networks. Third, the participant pool did not include all people doing electricity-related business in the jurisdiction where the case study took place. Finally, although I had no superior-subordinate relationship or close ties with any of the participants, the participants might perceive me as a public official wielding power. The perception might result in the participants responding in a guarded manner during the face-to-face interview process.

### **Scope and Delimitations**

In this study, I examined the impact of three-dimensional organization change on rural electrification in the Champassak Province. The scope of this study covered only

change in the three selected dimensions and a period from the point when organizations started changing in the three selected dimensions (1988) to the present time. Although the country's full electrification is expected to be achieved by 2025, the study findings are generalizable to the theoretical framework in regards to organizational change inducing electrification, which may be achieved in Champassak prior to the country's set date. Involved in organizational change are not only the participants in the Champassak jurisdiction, but also those who have worked in the executive and legislative powers in the central government. As such, two participants outside the case study area were purposefully selected for interviews, each from the policy-making level and legislative branch of the government.

### **Significance**

I examined the connection between organizational change in the three selected dimensions as initiated by the government and the requisites of private undertakings, including participation of the third sector. As scholars have examined each of the three dimensions of organization change having been undertaken randomly in a different sector and in a different timeframe, this study filled the literature gap by exploring the effects of organization change successively in all three dimensions on the ongoing rural electrification program. In filling the gaps of the literature, the power sector in Laos may use the results of the study to launch organizational change. The Laos policy makers may use the study results to make power policy to those provinces which have a similar electric power system, and differentiate the study results for those provinces with different electric networks. The public administrators may use the results of the study to establish strategic plans of the Lao power sector in the future. The research results may



also provide qualitative feedback on organization change in both public and private organizations to those private executive people in making decisions to undertake business in electric power in the local provinces of Laos. Stakeholders, both domestic and international, involved in the power development in Laos may benefit from the outcomes of this study. The findings of this study may make contribute to the field of Laos' public policy and public administration.

### **Summary**

Laos is administratively divided into 18 provinces. The government is administered by a unitary government system. Being inherited from a French colonial legacy, the government is stratified into the central and provincial governments, all of which form the government of Laos. The country is currently under the electrification program. The Champassak province, the third largest, was chosen as the case study site of this study. Electricité du Laos (EdL) is the public utility responsible for buying electricity from various sources and supplying electricity to the consumers throughout the country. Private companies sell the generated electricity to EdL as the power buyer to sell it onto end-consumers. The Laos government has adapted its administration to the surrounding environments in anticipation of attaining electrification in the country. The public-sector reform programs involve deregulation, decentralization, and devolution that have applied to organization change in the power sector during the course of the sector reform. It has been thought that private entities and the third sector would have brought into the country capital, technology, and support of international communities. Once the diverse sources of financing have been secured, a number of the power plants would supply the electricity sufficiently to support the rural electrification program. However,

after the organizational change took place in all three dimensions, few power projects located in the Champassak Province achieved finance. Consequently, rural electrification tends to be static due to a lack of additional sources of electricity supply. Scholars addressed each of the dimensional organization change randomly and separately. However, researchers did not examine the impact of multidimensional organization change on the single sector. More research, therefore, was needed to explain organization change in several dimensions impacting upon one organizational setting. The next chapter covers a literature review.

## Chapter 2: Literature Review

### **Introduction**

Human organizations have evolved since humans lived in groups. In searching for food and resources in a surrounding environment, humans interacted with each other, forming territorial clans and/or organizations. Humans also established their territorial organizations and settlement in order to control the resources (Marechal, Linstead, & Munro 2012; Ortman, Cabaniss, Sturm, & Bettencourt, 2014). In modern society, organizations have continued to evolve. Change has happened in the ways that humans structure organizations and the way they produce goods and services (Burke, 2011). Scholars have addressed change in governmental organization in different dimensions including deregulation, decentralization, and devolution; nonetheless, to date, such studies tend to pair one dimension of organization change with one sector of research interest (Sheely, 2012; Sosin, 2012). No study has been located on organization change with several dimensions that were implemented in the context of one organizational setting (Ayres & Stafford, 2011; Mansrisuk, 2012; Sheely, 2012). Hence, I examined organizational change in all of the three selected dimensions of deregulation, decentralization, and devolution that are applied to the context of the Laos power sector.

In Chapter 2, I present a literature review on the types of contemporary organizations. Leadership roles contributing to organizational change are introduced in this chapter. Theoretical frameworks and practices of deregulation, decentralization, and devolution in several sectors of countries around the world are introduced in this Chapter

2. Changes in private institutions resulting from organizational change in the public sector precedes a summary, which closes out the chapter.

### **Literature Search Strategy**

I examined articles from peer-reviewed journals and from books for the review of the literature. I also searched through several electronic databases to locate information concerning deregulation, decentralization, devolution, and organization change. The databases I used for the literature review included Academic Search Complete, Science Direct, Search Premier, ProQuest Central, Sage Premier, websites of the Lao governments, websites of international organizations based in Vientiane in Laos, Business Source Complete, and Business Source Premier. In searching for relevant articles online, I employed the following keywords: *organization, organizations, history, anthropology, change, market, network, public, administration, policy, private, sector, reform, deregulation, privatization, decentralization, devolution, corporation, private, cost, benefit, analysis, center, local, government, nongovernment, governance, and province*. I used 60 peer-reviewed articles in the dissertation. The articles covered issues surrounding organization classification and modes of organization change. I focused on deregulation, privatization, decentralization, and devolution as implemented mostly in the United Kingdom, where unitary governance has been practiced. Leadership of organizations also constitutes a core element in the literature review. Financial criteria for private undertakings as the environment for change forms an important part of the literature section of this dissertation.

## **Background**

Humans adapt to changes in their environment. A community establishes common objectives for people. For existence, “organizations had to be inhabited by individuals so inscribed” (Peacock & Kao, 2013, p. 2). According to Hickman (2009), organizational learning is a dynamic change process, whereby the organization and all of its leaders and followers need to adapt to the surrounding environment. Groups of individuals adjust their ways of living and working to the common objectives. Burke (2011) suggested that an organization functions as the open system because it “takes in energy from its environment” (p. 56). Organizations depend upon, and interact dynamically with, the surrounding environment in which they reside. Groups also respond to stimuli from their environment, whereby they are involved in creating the stimuli to which they respond (Gready, 2013). Most formal organizations change in all aspects at different times.

Organizational change has evolved in various forms such as revamping organizational structure, recruiting and reshuffling personnel, and improving corporate policy. Organizations may shift from one form to another. Thatcher stated, “many government-supported organizations, for example, public-sector water and electric utilities, would become private enterprises” (as cited in Burke, 2011, p. 73). Many countries have deregulated their public sectors in order to move toward a free-market system (Gang et al., 2009; Knut, 2014). Likewise, governmental departments have allocated functions from different layers in order to decentralize power from the center to local governments (Shair-Rosenfield et al., 2014; Yilmaz et al., 2010). By devolving power to make a decision and collect taxes, states have improved revenue collection in

response to the needs of the local people that the states serve (Simon, 2006; Sosin, 2012). When explaining organizational change from a complex perspective, researchers must differentiate types of the organizations consistently.

### **Types of Organizations**

Individuals living and interacting in society form interest groups, which are referred to as human organizations. Organizations can be classified according to their functions, objectives, and outputs provided to societies. An organization is defined as a "division of labor, centralization of authority, and organizational rules and regulations" (Pryor, Humphreys, Taneja, & Toombs, 2011, p. 963). Human organizations are structurally categorized as formal and informal settings and are functionally divided into hierarchies, markets, and networks (Ibert & Stein, 2012; Jung & Lake, 2011; Stephenson, n.d.). Organizations are to align their missions with their scopes of services and types of material goods they provide to society as individuals continue developing their lifestyles and settlement. Humans took several hundred years to produce civilization, including distributed authority, large-scale organizations, and commercial entities, in order to move from the wilderness (Ortman et al., 2014; Schwartz, 2003). Formal organization includes a fixed set of rules and procedures that govern embodied structures and hierarchies. The rules are usually articulated in writing and are to be followed by all leaders and followers (Burke, 2011). Informal organization involves the interlocking social structure, which governs how people as members work together in practice. Unlike formal organization, the informal organization usually has no chain of command or leader-follower characteristics (Dixon & Dogan, 2002; Jung & Lake, 2011). It is built on norms and

personal and professional connections, whereby members aim at attaining respective interests.

All types of organizations operate in most economies of the contemporary world. Organizations as classified according to their functions include hierarchies, markets, and networks. The three types of organizations operate dependently on each other.

### **Hierarchies**

Hierarchies function as regulatory bodies, and at the same time, render services to the individuals and other types of organizations. Governmental organizations make rules and enforce them in managing, guiding, and collaborating with people and their settings (Imperial, 2004). States, as characterized by groups of government organizations of diverse layers, are populated with public administrators, bureaucrats, legislators, politicians, business people, and individuals in pursuing common interests (Ingram & Silverman, 2005). Political institutions are the government organizations that consist of three branches and exercise legislative power, executive power, and judiciary power (March & Olson, 2005). When hierarchies formulate statutes and norms and enforce them by exerting state power to control individuals and other types of social organizations, they function as governing bodies. However, when the hierarchies provide goods and services to people where markets fail, they perform administrative functions (Bernanke, Olekalns, & Frank, 2011; Gang et al., 2009). Organizations including public schools, public hospitals, research centers, municipal infrastructure settings, and others usually provide services on a not-for-profit basis. However, some governmental entities, for example state-owned enterprises, operate as profit-making businesses, such as urban

water supply, electricity, and telecommunication. Consequently, private entities also operate privatized public utilities efficiently.

### **Markets**

Markets are places that individuals and organizations are free to enter and exit. Markets as organizations involve individuals who own interest in the form of market-traded shares (Entwistle, Bristow, Hines, Donalson, & Matin, 2007; Mintzberg, 1996). Private entities and all types of profit-making organizations use markets as their venues for trading goods and services and thereby make revenues. Private entities and for-profit organizations are established on the basis of profit-seeking setting and maximizing of stakeholders' interest (Bernanke, Olekalns, & Frank, 2011; Gang et al., 2009). The public-private partnerships form entities that seek profit for their members in several businesses. Markets are effective when they provide goods and services, the costs of which are well below revenues, taking into account direct and indirect expenses incurred from production to distribution (Brown, Potoski, & Van Slyke, 2006). Furthermore, effective markets must be free not only for privately-owned entities, but also for hierarchies and individuals that collaborate with groups as networks sharing a common interest. Some governmental organizations contract their works to individuals, private companies, and nongovernmental organizations; such governmental organizations also buy and purchase goods in the market place. Contracting works out to parties outside the governmental sector and government agencies means decentralizing responsibilities to other organizations that used be centralized in the government sector. Smith regarded markets as invisible hands making the law of supply and demand in respect of goods and services balance out automatically without the need of public adjustment (as cited in



Jackson & McConnell, 1980; McTaggart, Findlay, & Parkin, 2013). Exchanging information on the goods and services to be marketed by individuals and organizations is the key factor that facilitates survival of markets. Dixon and Dogan (2002) contended that people will participate in a market "only to the extent that it offers clear and unambiguous personal material advantage, regardless of collective values such as group solidarity and responsibility" (p. 181). Willingness to participate, freedom to enter and exit, and fair competition for diverse participation serve as requisite qualifications of the market effectiveness.

Markets may not be free and effective when they function on the condition that the supply and demand are dictated by one or more participants representing the minority. Likewise, markets may not operate effectively when free and fair competition among diverse participation of individuals and organizations are absent; otherwise distortion in market places occurs (Stephenson, n.d.). Markets may not be naturally free if they operate without a governing body to set a rule to foster free market itself. Adam Smith's self-ruling of invisible hand cannot be applied to the coordination and collaboration of markets, hierarchies, and networks. No market can be self-ruled without the intervention of a governing body, which is in charge of making regulatory statutes enforcing such statutes to individuals and organizations participating in them (Bernanke, Olekalns, & Frank, 2011; Romer, 2006; Jackson & McConnell, 1980). Furthermore, when differences among participants arise out, such differences may not usually be solved by mutual reconciliation; in most cases the contracting parties defer to neutral arbitration, the proceedings of which are run by other non-party organizations.

## **Networks**

Networks exist when individuals or organizations collaborate to attain certain purposes. Networks intertwine social relationships of people that are characterized by positions, professions, geographical groupings, or peer organizations in pursuing goals of respective members (Dixon & Dogan, 2002; Jung & Lake, 2011; Marshall, 1997). Participants of "a network agree to forego their right to pursue their own interests at the expense of others" (Antivachis & Angelis, 2015, p. 585). As networks have no incumbent management and staff, they function as informal organizations. Non-governmental organizations, associations of hobbies, clubs, and others alike are the examples of informal organizations. Networking brings hierarchies, markets, and individuals to collaborate in achieving shared values. Connecting individuals to programs and organizations for achieving common goals is central to a networking philosophy (Milward & Provan, 2006). A supply chain network facilitates products to flow consistently from the point of producers to that of the end-consumers; it is an inter-organizational network (Antivachis & Angelis, 2015; Pickett, 2014). Networks have evolved into a collaboration of formal organizations to become informal settings or vice versa. Networks occur either when individuals and intra-organizational units collaborate internally within their hierarchy, or when they collaborate with other human subjects outside their organizations. Imperial (2004) suggested that public administrators apply a performance method to improving governing efficiency by coordinating the organizations' missions within the hierarchical networks. Networks also function when different tiers of governmental organizations allocate power and when responsibilities are divided between the public and non-public sectors that happen in the form of

decentralization, devolution, and deregulation. The notion of networks was reaffirmed in Jung and Lake (2011) by defining "networks by what they are not (i.e., markets and hierarchies) and less by what they are in any positive sense" (p. 974). Hence, networks can operate both in hierarchical or non-hierarchical ways, whereby individuals and organizations collaborate with each other.

Examples of networking reveal organizational settings as people collaborate with each other through Facebook, Twitter, LinkedIn, and other electronic communications, for their shared values. The networking participants may not know each other while they all work together. While the networking participants do not have information on detailed business activities of others with whom they speak or work, all participants benefit from, or their interest is adversely impacted by, such networking. Networks as voluntarily participated by interested individuals are self-constructed settings which may not function in a self-ruled environment without the actions of regulating bodies in place. Davies (2005) suggested that networks, regardless of individuals or organizations, need intervention to maintain compliance. Anti-hacking acts, as issued and enforced by government agencies, are examples of the regulations governing cyberspace businesses run by all types of organizations, including individuals.

Nowadays, as organizations have evolved dynamically, they tend to blur their structures and functions. Although hierarchies, markets, and networks are identified in the existing literature (Bernanke et al., 2011; Dixon & Dogan, 2002; Entwistle et al., 2007; Gang et al., 2009; Imperial, 2004; Ingram & Silverman, 2005; Jung & Lake, 2011; Marshall, 1997), the emerging form of organizations having combined functions is yet to be examined. Regardless of the types of organization, change has occurred over time in

response to environment evolution. Leaders of the organization make change resonate with leadership-followership interaction.

### **Leadership**

A human organization needs to be guided with leading power that is exercised by individuals who have the ability to take on leadership in guiding fellow members. No effective leadership exists without the supporting followership. Formal organizations may not realize their objectives if the functions of such organizations are performed by persons who have no leading power. Burns (1978) delineated “leadership” as the actions of a person who exerts his or her power and applies a wisdom to influence colleagues. Leadership provides a framework that supports social interactions for achieving the collective goals (Kahai, Jestire, & Huang, 2013). A leader as entrusted by followers is an individual who has the roles to guide other people to act as the leader wants. Lead persons collaborate with fellow colleagues in achieving common objectives through hierarchical networking, and thereby the leadership-followership relationship emerges (Smith, Montagno, Ray, & Kuzemko, 2004). In influencing and motivating other people within the same organization to achieve common goals, the leader performs his leadership role. Leaders dealing with organizational policy, culture, working standards and norms must have support from staff members in return (Plachy, 2009). In contemporary organizations, leaders perform tasks such as coaching, mentoring, and large group interventions (Church, 2014). Leaders also initiate organizational change in response to the environment change before a form of change is embraced by organizations depending upon circumstances that require the organizations to effect the change. Social leadership offers an opportunity to directly engage communities as to

enable people and organizations to adapt to changing circumstances and problem-solving processes (Porteous, 2013). As the environment is dynamically unpredictable (Lawler & Worley, 2006), organization leaders help their organizations, in terms of both structures and missions, to continuously adapt to the surroundings.

Traits characterize leadership, with which leaders can convince their organization members to perform tasks as so assigned to them in order to accomplish common goals successfully (Covey, 2009; Hackman, 2002). Leadership consists of qualified character and competence which leaders need to possess in order to influence the followers. Thus, leadership having influence on organizational change is classified into several styles as the following:

### **Transactional Leadership**

Leaders, who approach followers in anticipation of exchanging one thing for another, are transactional. Transactional leaders inspire their followers to accomplish the leaders' anticipations (Breevaart, Bakker, Hetland, Demerouti, Olsen, & Espevick, 2014). Leadership occurs when an individual initiates contact with others for the purpose of exchange of benefits for both parties. Kahai et al. (2013) stated "transactional leadership behaviors include clarifying task expectations and providing rewards when expectations are met" (p. 971). The exchange ranges from political to economic matters, in which both the leader and followers are willing to share their values. Appointment is usually made through various assessment processes such as political support, opinion polling, and cabinet voting (Burke, 2011; Hannay, 2009). Therefore, some organization leaders at executive positions have their actions exchanged in order to gain votes and support from staff members.

## **Transformational Leadership**

Transformational leaders must have the abilities to transfer their knowledge in motivating fellow staff to perform their assigned tasks successfully in a given timeframe. Bass and Riggio (2006) posited that transformational leaders are the front-runners who can employ all morale and resources to motivate their followers to utilize them for organizations as effectively as possible. According to McKnight (2013), a transformational leadership style is based upon four I's; "idealized vision, inspirational motivation, intellectual stimulation, and individualized consideration" (p. 104). Characteristics of transformational leadership involve actions of the leaders towards followers such as (a) coaching to perform, (b) inspiring to share vision, (c) delegating power to achieve common objectives, and (d) providing resources essential to develop personal potential (Smith et al., 2004). Transformational leaders openly communicate the organization's mission and objectives to followers in order to prepare for change (Beugre, Acar, & Braun, 2006). Transformational leadership is central to developing the organization's morale and positive attitudes towards change in all levels, including leadership and followership.

## **Servant Leadership**

A leader-follower relationship gives rise to the interaction within organizations. While leaders provide inspiration and motivation, followers accept norms and shared values. Rubio-Sanchez, Bosco, and Melcher (2013) defined a servant leader as the one who abstains from exerting power to serve oneself, and instead seeks to secure followers' desire rather than organizational objectives. Satisfying followers' needs is the first priority of these leaders. In interacting with followers, the servant leaders want to serve

first. A leader who gathers followers' feedback in making decisions and then takes leadership-driven approach, is servant (Chung, 2011). Leaders want to take care of other people in order to make sure highest priority is given to followers. Greenleaf (1977), and Smith, et al. (2004) suggested that when a leader serves his or her followers first and thereby induces equalitarianism in the leadership, the leader is servant. Servant leadership is characterized with conceptual skill, empowerment, motivation of followers to grow and success in the first place of organizations.

### **Charismatic Leadership**

Leaders who are labeled charismatic are those who exert maximum influence to gain followers' support for advocated vision. Those leaders are charismatic as their visions are idealized and shared widely by their followers. Conger (2008) observed that charismatic leaders do not only have their advocated visions in place, but also the ability to articulate such visions rhetorically. In contemporary leadership, a leader who acts as the outstanding agent of organizational change, possessing the talent to inspire passion and action in fellow members through a personal characteristic, conduct, and exemplary roles, is charismatic (Zehir, Muceldili, Altindag, Sehitoglu, & S. Zehir, 2014). Bobcock-Roberson and Strickland (2010) postulated that charisma also consists of the traits of transformational leadership, providing subordinates with a role model for ethical conduct and clear purpose of the organization. Charismatic leaders usually have their expertise in a certain area, whereby they influence people with unconventional strategies and plans of action.

## **Organizational Change**

Human organizations do not function statically as they tap scarce resources. Humans need to adjust to evolving environments in an open manner if they want to survive (Gready, 2013; Muscalu, 2014). A social organization also lives for a short period and then dies out by ceasing to exist or transforming its structure into another form. While human organizations are open, "closed systems exist only in the world of non-living matter" (Burke, 2011, p.56). Energy taken by the organization from the environment is the main agent of change. Burke (2011) meant energy as "money, raw materials, or the work of people" (p. 56). As the technological means employed to tap energy has evolved, organizations change their structures and objectives accordingly. Dean Anderson and Linda Anderson (2010) classified organization change into transformational, transitional, and developmental change. Developmental change is concerned with "the improvement of an existing skill, method, performance standard, or condition that for some reason does not measure up to current and future needs" (Anderson, S., & Anderson, L, 2010, p. 52). While transitional change helps move organizations from an old state to a new one, transformational change shifts organizations to four breakthroughs including mindset, behavior, culture, and systems (Anderson, S., & Anderson, L, 2010). Burke (2011) listed organizational change in a more comprehensive aspect, using the language in terms of (a) revolutionary versus evolutionary, (b) continuous versus intermittent, (c) episodic versus constant, (d) transformational versus transactional, (e) strategic versus operational, and (f) holistic versus optional. All listed changes take place in two circumstances; organizations can either change their structures or maintain the existing structures while improving working culture (Burke, 2011).



Nonetheless, Burke (2011) did not make clear how change in formal organization differed from change in informal organization. While the language articulating various types of organization change is for the purposes of clarity and understanding, the levels of organizational change focus on structural change and change in performance.

Organizational change takes place with the occurrence of the following events: s organization segregating, structural revamping, personnel recruiting, staff reshuffling, improving existing policy, and introducing new culture (Carlaw, 2012; Deeg, 2009; Gotcheva, Watts, & Oedewald, 2013; Li & Lin, 2010; Morrison, 2011). While organizational change provides reflection from various angles in relation to its changing modes and timeframe, the literature review of this dissertation focuses on the change in formal organizations. For the purpose of this dissertation, organizational change focuses on whens, whats, whys, and hows change as the following:

### **Planned Change**

Organization change can be planned beforehand by humans. In some cases, planned organization change starts from an operational level. Such planned organization change is initiated internally from any division, department or level inside the hierarchy of an organization (Burke, 2011). Planned organizational change also takes a top-down approach; a change is initiated at the top level first and then comes down to the lower levels. In such change, leaders play a decisive role to mobilize the organization's staff members to share and accept what will happen to their organization in the future.

Organization members plan to change their organization when a change is "large in scale and transformational in nature, requiring a significant change in mission and culture" (Burke, 2011, p. 26). Both leadership and followership greatly contribute to

organizational change as staff members make a change plan either from the rank-and-file or top management.

### **Unplanned Change**

In contrast to the planned change, social organizations may adapt to the surrounding environment whenever required due to dynamic changes in political and economic conditions. Changes are inadvertent. Changes are unconventional. Whenever leaders and followers have interacted inside organizations and wherever they have collaborated with other organizations, organizational change takes place. As unplanned organization change does not follow the traditional change pattern, changes happening to the organizations may be multidimensional and intermittent (Burke, 2011). One may not predict adaptive and fluid changes when his or her organization will start and end in a certain time.

### **Revolutionary Change**

Gersick was among scholars who related revolutionary change to deep structure (Burke, 2011). When organizations embrace revolutionary change, they modify a hierarchical channel that may result in a larger or smaller structure than the existing one. Some organizations undertake "rapid structural changes such as downsizing, reorganization, or re-engineering of operations or markets" (McKnight, 2013, p. 103). Such a change needs planning in respect of staff quantity, composition, and organizational configuration. Revolutionary change known as transformation, which needs a change of plan to be agreed upon by staff members, necessitates several tools and techniques in order to attain effective organization change.

**Structure change.** When an organization creates a new mission and adopts new culture, it embraces a structural change. Burke (2011) suggested that a social organization structure includes organizational design for making a decision, achieving accountability, controlling, and distributing power. It further determines the way organization monitors and reacts to the external environment (Beugre et al., 2006; Deeg, 2009). Change in structure involves reorganizing, revamping, establishing new units in existing organizations, and transforming an organization into part of the other organization. When an organization transforms its structure into the new one, organizational change results from total system events. Transformational organization change is usually initiated by the need for (a) a significant modification of mission and strategy as a result of technological evolution, and (b) survival in responding to fierce competition (Burke, 2011). In changing structure, the organization needs to embrace a hierarchy that may result in creating a new mission accordingly.

**Mission change.** In responding to major shifts in the external environment, an organization must redirect its mission and strategy. As the organization changes its mission, it also modifies organizational culture. Burke (2011) asserted that change in the culture is supported by the change in mission and strategy. Organizational change at this level makes the organization alter its functions and objectives in order to suit the new environment, consisting of various factors such as changing demographics, changing government regulations, and others alike. Structural change is also referred to as a radical change, whereby a firm has to change its mission (Denning, 2010). Organizations take a considerably long time to effect a change by transforming to a new working culture and introducing new business regimes (Murray & Richardson, 2003). Changing structure may

be accomplished within a short time; nonetheless, improving performance depends upon a timely capacity building for organization members, resource mobilization, and culture development.

### **Evolutionary Change**

While maintaining the existing hierarchical structure, an organization improves its internal workflow and power allocation that aims at enhancing the organization's outcomes. Burke (2011) determined that more than 95% of organizational changes have taken place on an evolutionary basis. Evolutionary organization change mostly includes problem fixing, enhancing quality, and realigning products and services to the needs of people. An evolutionary approach reveals "increasing levels of complexity, moving through technical systems, arrangement systems, human systems, to fully-integrated systems, while their ability to evolve is dependent on diversification of aggregate propensities within each stage" (Gotcheva et al., 2013, p. 85). Carlaw and Lipsey (2012) postulated that evolutionary economics builds on the concepts of continual technological changes. The improvement of products and services quality is not achieved instantly, but incrementally, and happens in a timely manner. Evolutionary change may not be planned in advance as no organization is able to predict precisely what environment change is going to happen in the following days. Successful organizations, as identified by Mott, (2008) had cultures dedicated to serve stakeholders. Reorientation of organizational policy and upgrading stakeholders' service also fall into evolutionary organization change. No drastic change happens in structure and no interruption occurs as organizations continuously improve their internal operational and managerial process.

## **Change in Governmental Organizations**

### **Government Organizations**

Governments are the sets of organizations consisting of several political and economic components, the system of which varies according to political beliefs that govern the whole social organism. Contemporary governments can be administered by either a federal or unitary system (Cobb & Bean, 2006; Law, 2012). Federal governments provide overarching power for several states which unite in a system of government. While the federal governments unite their economic and political statuses in the federal system, each state as a federal member keeps, to some extent, control over the affairs in its jurisdiction (; Krane & Koeing, 2005; Law, 2012). Despite the fact that federating states maintain some level of autonomy over their polity and resources, they are obligated to make some fiscal revenue contribution to the federal government. The U.S. Federal government retains services of the core sectors including inter alia the national defense, the postal service, and diplomatic affairs (Mikesell, 2011).

In contrast, unitary governments are formed by central governments and subordinate local governments, both levels of which function dependently under a single jurisdictional system (Cobb & Bean, 2006). All governments are divided into several units to oversee different sectors in the economy. In keeping with an idea of checks-and-balances system, the power branches out into three institutions (Mikesell, 2011). The constitution requires all three branches distinct so as to avoid abusing power that may be committed by one or another (National Assembly, 1991). The three distinct branches exercise legislative power, executive power, and judiciary power.

Some governments establish state-owned enterprises in order to undertake profit-making businesses such as electricity distribution, water supply, ground transportation, and aviation. There are some ranges of state-supported organizations including infrastructures, schools, hospitals, public parks, and research centers that function on a not-for-profit basis (Luqmani & Quraeshi, 2011). All government units, state-owned enterprises, and state-supported organizations are referred to as public or governmental organizations. The literature review for this study focuses on the public sector in a unitary system.

### **Public Sector Reform**

Power sharing among different tiers of the governmental agencies in most unitary governments has become notably arguable in recent years. Governments of different administrative layers have allocated power for making decisions, collecting resource usage fees and taxes, and delivering services (Jones & Stewart, 2012). With a preference to serve people directly, power for making decisions and utilizing resources tends to be vested with locally represented administrative bodies. People are likely to feel that they have determined a way of their lives when local representatives make decisions taking a local preference into account (Jones & Stewart, 2012). Strategic planning of socio-economic activities suits the local circumstance only when a locally represented body formulates it, aimed at responding to the preference of the people residing in the areas (Bryson, 2011). Where the public agencies have been stratified into upper and lower layers, both layers function hierarchically, depending upon a degree of power sharing practiced in the relevant jurisdiction. Likewise, private organizations, non-governmental settings, and networks are equally important to the public agencies in providing services

to people in societies. As organizations, as so classified by Ibert and Stein (2012), Jung and Lake (2011), and Stephenson (n.d.), play correlative roles interweaving the political with economic arenas, change implemented by an organization of one type becomes the operating environment inducing changes made to the organizations of other types. Hence, reforming programs such as deregulation, decentralization, and devolution, which are the process of organization change, have induced changes in all public agencies, private organizations, and networks in the governance as a whole.

### **Deregulation**

Governments must ease their rules if they want to promote diverse participation in the production goods and provision of services. A people participatory process such as "participation could lead to both greater enfranchisement and greater appreciation of the complexity and trade-offs of decision-making by the public" (Hira, Huxtable, & Leger, 2005, p. 55). Moving away from hierarchical power to apply market mechanism, government agencies embrace deregulation that fosters the rule of supply and demand. Albalate, Bel, and Faceda (2009) argued that total deregulation, a regulation-free environment, has never occurred in reality. In fact, governments do not control inputs and processes in production and delivering services, but act as regulatory bodies controlling performance of those organizations involved in production and delivery. The regulatory bodies are "based on an interaction between deregulation and re-regulation" (Albalate et al., 2009, p. 297). Recalling a market notion from the previous section, it is a place where individuals and organizations are free to enter and exit. As such, when a government deregulates a sector in its economy, such sector is no more monopolized by government agencies. Deregulation gives way to all types of organizations including hierarchies,

markets, and networks to partake in the provision of goods and services that were previously monopolized by governments and their agencies. Peltzman, Levine, and Noll (1989) asserted that deregulation means substantially reducing or eliminating onerous rules of entry and exit or rates, or both, in a number of industries. Mullan and Ceddla (2003) pointed out that deregulation means reduction or re-configuration of the role as played by government. In attracting non-governmental organizations into the production of goods and public services, governments also undertake privatization programs. Deregulation is accompanied by privatization (Garcia & Anson, 2012; Piciotto, 2011; Pheko, 2013). Privatization, in turn, facilitates the public sector to deregulate activities that used to be solely undertaken by government organizations,

In deregulating a sector, the government involves private parties in its economy through a privatization process. Privatization involves a wide range of private participation in the economic sector of a country. Privatization involves selling government's assets to private entities; contracting private contractors to works that used to be carried out by the government agencies (Carter, 2013; Luqmani & Quraeshi, 2011); granting concessions to private business to operate infrastructure projects; and undertaking public-private partnerships in developing resource-based programs (Froelich & McLagan, 2008). Diverse participation leads to competition among individuals and organizations entering into it. On the one hand, the competition drives down costs of production of goods and services, and at the same time enhances the quality (Gang et al., 2009; Jackson & McConnell, 1980; Romer, 2006). On the other, private funding in the production of goods and services helps governments ease public budget constraints.

Winston (1993) postulated that deregulation coupled with privatization makes knowledge



and resources available to organizations of all types to improve efficiency, and thereby realizes the shared values of society. Implementing privatization programs to conform to the environment change, governments correct their market failures (Carter, 2013). When diverse participation emerges, government agencies no longer dominate the sectors; they are free to participate. When all types of organizations are free to participate in both political and economic activities, a people-participatory governance is realized.

### **Decentralization**

In a unitary system, functions are performed differently by the government at the central level and subordinate units in the local areas. Allocating power together with functions from the center to be exercised outside the central premises is referred to as decentralization. Shair-Rosenfield et al. (2014) defined decentralization in the total governance as self-rule consisting of "(a) the institutional depth of regional government, (b) its policy scope, (c) its fiscal autonomy, (d) its borrowing autonomy, and (e) the extent to which it has autonomous, elected representation" (p. 88). Yilmaz et al. (2010) connoted decentralization in other forms such as de-concentration, delegation, and devolution. However, decentralization is also practiced in sector-specific domains; fiscal, industrial, and service; the configuration of which differs from that of the total governance (Feng et al., 2013; Gomez-Reino et al., 2011; Yilmaz et al., 2010). Decentralization in all forms reshapes relations among different government layers, private organizations, and social communities.

Decentralization permits local governments to assume responsibilities in planning and providing goods and services to their own people. Decentralization facilitates governmental agencies to distribute works (Ayre & Stafford, 2011) and wealth to local

governments in order to better utilize them in anticipation of serving people. However, decentralized functions must be apt to the legal capacity of sub-tier layers, otherwise re-centralization will occur when the lower layer cannot assume their responsibilities. Decentralization will by no means suit the people preference if the functions given to them are beyond the reach of their legal and financial capacity to perform. In a sense of leading change, "decentralization has contributed to the modification of the power structure in central-local relations" (Mansrisuk, 2012, p. 73). Decentralization also expands its scope, whereby works are divided between the public organizations and private undertakings (Ayres & Stafford, 2011). The notion on decentralization as given by Ayres and Stafford is incomplete as the responsibilities which used to be assumed by the center are also realized by the third sector, such as not-for-profit non-governmental organizations. With the expanded notion, responsibilities that used to be taken by government agencies have been opened to private companies, non-governmental organizations and networks, regardless of their domiciles. Obeng-Odoom (2011) argued that decentralization is merely a public administration process, whereby governmental functions and power are not really transferred together to the local government level; the center keeps its power, while the locals do the works as so assigned. Given a unitary system status, some government functions, for instance, diplomatic relations, national defense strategy policy, and legislative power, may not be delegated to the local authorities. Shair-Rosenfield et al. (2014) suggested that in decentralizing functions and power, local governments retain shared rule in co-determining national legislation, executive policymaking, tax collection, and constitutional reform. Likewise, it may not be practicable to decentralize to a single local government in some countries' functions of

approving and managing large-scale mineral extraction and river basin development, the areas of which cover several local jurisdictions.

### **Devolution**

Organizational change has varied in the public sector reform. The center devolves both functions and power to its local layers (Catherine, 2014; Goodwin, et al., 2006; McGarvey, 2012). Devolution is concerned with the relations between two levels of government organizations. In Scotland, devolution has the power reserved with the U.K. Parliament that is "to be fundamental to a 'normal' nation-state: defense, foreign affairs, home affairs, macroeconomic policy, and social security" (Law & Mooney, 2012; p. 168). At the same time, devolved economic powers, agriculture, fisheries, economic development, health, social work, and housing are devolved to the Scottish Government (Law & Mooney, 2012; Porter, 2013). Sector-specific devolution in welfare programs is also practiced in the United States (Sheely, 2012). To sum up, devolution reserves some power in the center, and at the same time delegates some power to local institutions.

Provision of services must go together with the collection of taxes. In performing duties, government agencies incur expenses for remunerations, office upkeep, and operations. Some local governments are assigned full authority to execute development projects, whereas a substantial part of the tax revenues payable from those projects is collected by the central government (Feng et al., 2013; Sosin, 2012). Consequently, local governments continue being dependent upon grants from the central government (Jones & Steward, 2012). In the U.K., fiscal devolution still does not happen to the extent that local authorities "will remain dependent upon Whitehall, whose departments show no desire to relax control over their programmes that impinge upon local areas" (Jones &

Steward, 2012, p. 363). Effective devolution must combine the power to make decisions and the power to collect taxes (Simon, 2006). In order to devolve power to make decisions in some fields effectively, personnel of the central governments need to train local officials to implement the works as so assigned to them in the early stages. Simon (2006) and Sosin (2012) recollected that devolution is concerned with revamping bureaucratic restructure, altering decision-making power, and changing organizations' objectives, which apply to organizations of all types. Organization change happening in the form of devolution involves transfers of both authorities and fiscal collection, which can be done from one tier of governmental agencies to another lower level; one must be clear that devolution never happens in the power allocation between government agencies and the private organizations. Sosin (2012) contended that the line demarcating decentralization and devolution still blurs because of overlapping definition. Nowadays, power sharing among different types of organizations varies from governance to governance because of different governing systems and legal environments. While devolution addresses the relationships between different tiers within government, decentralization gives rise to allocating responsibilities which used to be centered with the government, not only to its lower tiers, but also to the private sector and third sector.

### **Change in Private Organizations**

Markets involve profit-making businesses, which are undertaken by both public organizations and private entities. The environment such as technology, capital, expertise, and resources, which are believed to influence organizational change (Burke, 2011), do not limit their scope in only one jurisdiction. In addition, legal systems and fiscal policy are the main components of the environment-inducing organizational change in private

undertakings. As such, private organizations need to embrace organizational change as the global environment changes. In formulating a strategic plan, private organizations measure their profitability with a range of financial criteria determining organization survival that is greatly influenced by public policy of the state, where such private organizations reside and run business activities (Mishan & Quah, 2007; Perkins, 1994; Yescombe, 2002). Governmental agencies should play a crucial role in supporting to sustain the private entities “as well as those public institutions that continue to exhibit efficient and behavior” (Luqmani & Quraeshi, 2011, p. 266). Private organizations have changed both structurally and culturally beyond jurisdictions where they reside.

### **Globalization and Diversity**

Humans have interacted with each other not only within their administrative governance, but also beyond the boundaries of their nation states in order for them to exchange goods and services. As the interaction has brought many nation states around the world together, globalization has created linkages among both the public and non-public sectors and thereby induced organizational change. In addition to the linkages, Hakli (2013) included collaboration created inside a nation-state organization in the globalization domain. O'Neill (2004) highlighted globalization fundamentally integrates national economies of the countries around the globe, regardless of their different development status. Interaction among social organizations encompasses collaboration, coordination, and cooperation in exchanging information and securing linkages among planners, producers, and consumers. The change phenomena emerge from application of techniques of business, distribution technologies, labor deployment, capital investment, and product exchange (McKay, 2009). Linkages of different parts of the world started in

the 17th century when the Hudson Bay Company, based in London, expanded its trading network to America (Novitski, 2008). There was a connection between the colony hunter, England, and its conquered empires. Nowadays the collaboration, coordination, and cooperation have resulted in globalizing both political and economic activities, which are undertaken by organizations, whether they are public or private, located in different economic and political systems. Thomas Friedman, as cited in Bryson (2011) observed that the world of today tends to be smaller and flatter than it appeared previously because of digital linkages. Wedel, Shore, Feldman, & Lathrop (2005) stated “network analysis can show how the local or regional level is connected with the national level or the local, regional level with the international” (p. 40). Hence, change in organization in one country has influenced change in others.

Private entities invest their resources in any location and business where the environment favors them to make a desired return. The environment encourages people to participate in new systems of international regimes and global processes (McKay, 2009). According to Michie (2011) globalization brings diversity of ownership types which "generally includes a balance between public and private ownership, with the private sector being distributed between shareholder-owned public limited (plcs), other private ownership such as private equity, and a range of ‘stakeholder ownership’ models" (p. 310), including commercial banks and credit agencies. Host governments need to collaborate with private and other types of organizations in order to promote businesses to develop into a strong pillar of their economy in the jurisdictions. O'Neill (2004) stated that globalization could have impacts on macroeconomic variables such as inflation and employment. Private organizations, therefore, determine their survival with a range of

financial criteria, which are derived from collaboration and support from the governmental organizations that govern business in their jurisdiction.

### **Cost-Benefit Analysis**

In formulating organization's objectives, the manager of a government organization is required to do a cost-benefit analysis on the projects in the same way as practiced in privately invested projects (Mikesell, 2011). In project financing, a wide range of private organizations including shareholders, lenders, security providers, contractors, and product buyers have their respective requirements for the project to happen (Michie, 2011; Phomsoupha, 2012). As such, organization leaders use the cost-benefit analysis in order to determine their common objectives before exercising decision-making power on their organization's actions. Mikesell (2011) suggested five steps in establishing the cost-benefit analysis: (a) identifying organization's objectives to be aligned to the selected project, (b) evaluating different factors impacting on organization's objectives, (c) estimating related cost to be incurred by the project, (d) determining an applicable financial discount rate to discount investment cost and revenues, and (e) employing pertinent financial criteria before deciding on the investment. Shareholders and commercial lenders assess their respective financial criteria, taking the project cost and benefit into consideration (Yescombe, 2002). The following selective financial assumptions used in the cost-benefit analysis are articulated qualitatively:

**Project expenses.** Investors incur all costs associated with project development and operation over its lifetime. Mikesell (2011) confirmed a timeframe for spreading the expenses, whereby "a project's resource cost estimate includes construction cost and

operating cost for the life of the project" (p. 315). For instance, the cost of electric power projects as invested by a private entity includes a fixed capital of project study, environmental and social impact mitigation, civil work, electromechanical equipment, and management expenses (Mishan & Quah, 2007; Perkins, 1994). All project-related costs are devalued as 'depreciation' and 'amortization' in the project annual expenses. In operating the project, the company incurs a running capital annually as expenses, including salaries, costs of operation and maintenance, depreciation and amortization, and government taxes. Government taxes play a decisive role in quantifying the capital expenses, which in turn positively or negatively affect financial criteria used for decision making by the private executives.

**Project profit.** In doing the cost-benefit analysis, organization managers select proper financial assumptions that play decisive roles to quantify the project expenses in relation to the profit expected to be received over the project life time (Mikesell, 2011). Financial models involve various factors such as time value, compounding, and discounting, from which financial criteria accrue. Private investors mostly employ Net Present Value (NPV) and Internal Rate of Return (IRR) as financial indicators to measure their financial efficiency in investment (Mikesell, 2011). Commercial banks, which provide loans to the corporations, use Debt Service Coverage Ratio (DSCR) to govern their debt repayment (Mishan & Quah, 2007; Perkins, 1994). However, public administrators may not weigh up organization's profits only quantitatively as above explained, but must also look at them qualitatively. For instance, better workers' morale resulting from organizational change must be considered as a collective gain.



**Net present value (NPV).** NPV is the present value calculated from a net benefit receipt to be collected over a certain time horizon in the future. NPV derives from a sum of discounted net profit, which is estimated over the project's life. An annual profit is the sum of project revenues less project expenses. The level of acceptable NPV depends upon a discount rate employed in financial modeling (Mikesell, 2011; Mishan & Quah, 2007; Perkins, 1994). The higher the discount rate employed, the lower the degree of NPV derived. When the value NPV is positive, the project is considered investible by its shareholders. The higher the NPV is, the more financially attractive the project is.

**Equity Internal rate of return (EIRR).** The equity internal rate of return, EIRR, of a project is most commonly used by investors as one of the financial criteria in project appraisal. Private investors need to ensure a satisfactory financial return, which is derived from financial analysis, considering the cost and revenue of the project in which they invest. According to Perkins (1994), the equity internal rate of return is a value of the unknown variable, which is derived from solving the same equation, equal to zero, used to determine the project's net present value. In calculating the shareholders' EIRR, revenues and expenses of a project are correlated (Perkins, 1994; Yescombe, 2002). As such, the higher the host governments impose taxes on private businesses, the higher expenses are incurred by shareholders. Consequently, the high project expenses tend to drive down the shareholders' EIRR. The higher the EIRR, the more attractive the project is for private investment. In contrast, when an EIRR is below the interest rate, investors tend to find out investment alternatives or not to make decision on their investment at the time (Mishan & Quah, 2007; Yescombe, 2002). There is interplay between the decisions on investment and financing that are made by private investors and bankers respectively.

Consistent organization, effective regulatory frameworks, and speedy public service are also the factors facilitating private investment to grow.

**Debt service coverage ratio (DSCR).** In project financing, a project cost consists of equity injected by shareholders and debt financing loans to be lent by commercial banks to the corporate entity. The commercial lenders set lending conditions, whereby the project must achieve a satisfactory coverage ratio (Phomsoupha, 2012). The debt service coverage ratio (DSCR), also understood as "debt coverage ratio," (DCR) is the ratio of cash available for the debt repayment consisting of interest and principal payments. It is a popular criterion for measuring an entity's ability to generate enough cash to cover its debt as raised from lending institutions (Mishan & Quah, 2007; Perkins, 1994). As conceptualized in the project analysis, when corporations are obligated to repay high debts due to higher expenses, DSCR descends accordingly. The higher the DSCR is projected, the higher the credibility the project demonstrates to lending institutions in providing debt financing (Yescombe, 2002). Hence, project expenses greatly influence the degree of a project bankability.

Public organizations, private entities, and the third sector operating in the same environment undertake organizational change concurrently. Organizations like humans may not function independently of the surrounding environment. Hierarchies, markets, and networks are dependent upon each other. Hence, changes as initiated by the organizations one type could be the environment-inducing changes in the organizations of the other types.

## Summary

Upon having reviewed the literature as cited in this section, I found that contemporary organizations are classified according to their structures and functions. While human organizations are structured either formally or informally, they function as hierarchies, markets, and networks. Some scholars distinguished organizations into the public sector, the private sector, and the third sector. The literature review as designed for this dissertation, however, focuses on formal organizations involving governmental agencies and private organizations. Organizational change has happened in planned and unplanned manners, in respect of change timing. Although numerous modes of organizational change were explored in the existing literature, two ways of change; revolutionary and evolutionary, represent diverse organization change in organizations. Organization change starts with humans, executives and staff members inside organizations. Energy including money, raw materials, and the works of people as taken from the environment, has influenced both revolutionary change and evolutionary change. In formal organizations, leadership plays the decisive role, guiding followers to embrace organizational change as may be induced by the surrounding environment from time to time.

The literature review in Chapter 2 briefly introduces two systems of government, which are federal and unitary. I emphasize the public organizations in a unitary system, the organizations of which will be central to my study. I also accentuated organizational change in governmental agencies and private organizations, the two types of which operate in the same environment. Public-sector reform has been embraced by most governments in the world in recent years. People participation is the main philosophy of

the reform programs. Governments offer diverse participation of private individuals and entities, including organizations in between the public and private organizations, in providing goods and services. The participation also takes place in the areas that used to be undertaken solely by the governments. To that end, many governments have undertaken public-sector programs by deregulating sectors, decentralizing government functions to the local layers and non-governmental organizations, and devolving power to make decisions and to collect taxes. However, the existing literature has focused on organization change in each of the three selected dimensions, applied randomly to a different sector. I have found literature addressing organization change from the viewpoint of all three dimensions, whereby effects of such organizational change on one particular sector is examined. Change is interrelated among organizations of all types. For instance, change in public policy on some sectors could either adversely or favorably affect private businesses operating in the economy. In the next chapter, I will present a discussion of the research methodology, research design, population, sampling techniques, data analysis, participants' protection, reliability, and validity.

## Chapter 3: Research Method

### **Introduction**

Three-dimensional organization change in the Laos power sector has been carried out regressively. After organization deregulation, decentralization, and devolution took place in the Champassak province, the participation of private financing in new electric power projects faded away. Although researchers failed to address the impact of current organizational changes on a single organizational setting, the purpose of this study was to explain the impact of three-dimensional organization change in the context of the Laos power sector on rural electrification. I examined how effectively the Laos governmental agencies applied organization change in the three selected dimensions, using the theory of organization change (Burke, 2011), to make private organizations leverage private financing in new power projects. In Chapter 3, I outline a research plan, the research method, qualitative research strategy, and case study approach. I elaborate on the population and sampling, data collection, data organization and management, and data analysis. Validity, reliability, and protection of the participants are presented at the end of Chapter 3. Lastly, a summary concludes the chapter.

### **Research Methodology**

The research methodology covers the whole process of research, which spans from conceptualizing research problems to writing research questions, and on to collecting data, making analysis, interpretation, write-up, and validation. The research methodology includes a plan for conducting the study (Creswell, 2013; Yin, 2012). Researchers may choose quantitative or qualitative methods, or a combination of both

methods in conducting a study. When selecting a research method, the researchers the examine research questions emerging from research problems. According to Creswell (2013), research “problems can be found in “the real world”, or it may be a deficiency or gap in the literature or past investigations on a topic, or both” (p. 51). The way the researchers answer the research questions reveals a research method (Creswell, 2009). Qualitative scholars use a nonnumeric approach, aimed at explaining human action. Qualitative studies have no agreed-upon structure; they vary. A scholar may choose ethnography, phenomenology, narratology, grounded theory, or case study, depending on the discipline into which his or her research questions fall. However, “every qualitative study requires some combination of theoretical claims and empirical evidence to produce an argument that answers the research question or problem that the study examines” (Schwandt, 2007, p. 265). A qualitative study is the process theory, whereby the researchers see and connect events, situations, and people together through an explanatory action (Maxwell, 2013). Researchers commence the qualitative study from searching for a set of assumptions before they embark on developing theoretical frameworks. In explaining human actions, qualitative researchers employ theoretical frameworks to "inform the study of research problems addressing the meaning individuals or groups ascribe to a social or human problem" (Creswell, 2013, p. 44). Furthermore, researchers can study phenomena happening in the nature and actions of human beings in society, using a qualitative approach with descriptive words. Thus, qualitative researchers combine the real world and interpretation of social actions or natural phenomena, making the world known to the people living in it.

For this study, I employed the qualitative method in explaining a link between three-dimensional organization change and the rural electrification being implemented in Laos. In order to address the research questions, I interviewed individuals who had experience in the field. Additionally, I reviewed public policies, laws, reports, and documents on both public and private settings. The interrelationship between the outcomes of organization change (as have been carried out in the forms of deregulation, decentralization, devolution, and the requirements of private financing as changes in the private organizations in the Champassak Province) were explained by the qualitative inquiry. Assuming that the trends of private investment and power generation were correlated, I explained whether or not organizational change in both the public and private sectors induces electrification in the rural area. Understanding human actions and their relationship undertaken through interviews, observations, and documents were the means to unlock an unknown world to be explainable (Patton, 2002). In analyzing what I had found from interviews and document reviews, I described the process and outcomes in nonnumeric terms, using the knowledge of people involved in organization change and electrification.

### **Qualitative Inquiry Strategy**

Qualitative research varies in terms of type, purpose, and quality. Although scholars have categorized the various philosophical and theoretical perspectives of inquiry, Patton (2002) and Creswell (2013) distinguished five paradigms of the qualitative inquiry. The inquiry includes ethnology, phenomenology, narratology, grounded theory, and case study.

Ethnography is a study on the lives of human beings according to their historical and cultural movement. In studying the lives of people, ethnographic researchers need to involve many human participants (at least 20 people) who have direct experience in the study subject (Creswell, 2013). Ethnography also relates to anthropology, both of which are concerned with human lives and behaviors. Phenomenology is one of the many branches of philosophy to address interpretive theories and analytical perspectives in conducting research within the qualitative approach (Patton, 2002). The phenomenology design is used to analyze the experiences of different participants to explore their collective significance in making a shared phenomenon (Creswell, 2013). Qualitative researchers study the phenomenon including “an emotion—loneliness, jealousy, anger” (Patton, 2002, pp. 104-105) to undertake a qualitative study on human behaviors.

Narratology is a philosophical science discipline, which researchers use to study what happens to individuals or social organizations during an elapsed period of time. Researchers describe stories of human participants whereby biographies of individuals, organizations’ archives, “family stories, suicide notes, graffiti, literary nonfiction, and histories reveal cultural and social patterns through the lens of individual experience” (Patton, 2002, p.115). Narratology does not operate as a stand-alone approach; in some circumstances, it needs to combine its data analysis with other approaches. Grounded theories deal with problems that occur in the circumstances surrounding the lives and works of individuals and social organizations (Patton, 2002). However, researchers generate a theory after the study has been concluded, instead of focusing on the theory content before conducting research (Creswell, 2013). Taking the grounded theory



approach, qualitative researchers analyze the experiences of the participants in generating a theoretical framework or norm after the study has been completed.

### **Case Study**

For my study, I used a case study approach to address my research questions. In this single explanatory case study, I explored the link between organizational change initiated in the public sector and change in organization as embraced in the private sector. Both organization change and the rural electrification took place many years ago and are still happening at the present time. Yin (2014) asserted, “case studies have been done about a broad variety of topics, including small groups, communities, decisions, programs, organizational change, and specific events” (p. 31). A case study inquiry involves several variables of interest aimed at arriving at one result; it includes multiple sources of evidence converging on a single outcome, and it employs predeveloped theories to frame the data collection and analysis (Yin, 2014). There are three types of case study: explanatory, descriptive, and exploratory (Yin, 2012). Each type of the case studies consists of (a) “how” or “why” research questions, (b) no researchers’ manipulation of actual behavioral events, and (c) focus on the contemporary happening (Yin, 2014). In designing a case study, qualitative researchers may engage either a single case or multiple cases, depending upon circumstances surrounding the research problems. For this qualitative study, I used the single case because the case was comprised of substantial unit analysis functioning in their real-world contexts.

### **Approach Selection**

Given the “why” and “how” research questions and the events to be studied, I chose a case study approach. In this study, I will explore the outcomes of organization change as they have been implemented by the governmental agencies in Laos in three selected programs in the power sector. Yin (2012) asserted, “case study research assumes that examining the context and other complex conditions related to the case(s) being studied are integral to understand the case(s)” (p. 4). A series of organizational change including deregulation, decentralization, and devolution (Hira et al., 2005; Mullian & Ceddla, 2003; Sheely, 2012; Sosin, 2012) is central to reform attempts that have been implemented for more than 20 years. The reform has aimed at restructuring government organizations and improving organizations’ performance in order to embrace changes in financing and the legal environment in the Lao power sector development (Committee for Planning and Cooperation, 1986). The three-dimensional organization change in the Lao power sector has induced power sharing between different layers of the governmental agencies and between government agencies and nongovernmental organizations, including the private organizations. The Laos government believed that the reform programs would bring finance, expertise, and diverse participation in developing a number of power plants into the country (Committee for Planning and Cooperation, 1986). The government believed that the degree of alignment affected the private financing available for the development of electric power projects in Laos’ provincial areas. As such, the case study approach, complemented with the qualitative study, was used to address the problems encountered by the power sector.

### **Rationale for Choosing the Study Site**

I chose organization change and rural electrification in Champassak Province as the site of the case study due to problems that the public administrators encounter in all parts of the country. Because Laos is governed by a unitary government system, all provinces enjoy the single legislative, judiciary, and executive power (National Assembly, 1991). Champassak Province is one of the information-rich administrative areas that embraces change in organization in various public-sector reform programs, and at the same time, is being currently preparing a number of power plants for development. Furthermore, organizational change in both the public and private sectors and rural electrification in the provincial area are underway. The three-dimensional organization change has been implemented since 1988 with the aim of realizing full electrification by 2025 (Committee for Planning and Cooperation, 1986). Furthermore, Champassak Province also envisioned achieving its rural electrification program within the same timeframe as implemented countrywide. This qualitative study was, therefore, designed for a particular (bounded) period and in the selected province. Hence, the outcomes of this study align with the theory of organizational change in the three selected dimensions.

### **Researcher's Roles and Ethical Concern**

I acted as the researcher in this study, and I collected all of the data. The qualitative data came from a series of interviews with people participating in the study. Observing public meetings on the relevant topics was another mode my data collection. Additionally, relevant information was retrieved from government documents and project documents, such as progress reports, that appeared in the public domain. Reviewing government documents in regards to the institutional arrangement and development

statuses of several electric-power projects was carried out in Champassak Province, where the case study took place. I started contacting potential participants after my data collection plan was formally approved. Yin (2014) suggested that a formal approval of the data collection plan should be issued by an institutional review board. In selecting the participants for interview, I had to make sure that I had no superior-subordinate relationship or close ties with anyone so as to avoid perceived ethical concern. Likewise, the interviewees were informed that they would not have their careers and interests adversely affected by the study.

### **Setting and Sample**

Rural electrification in Champassak Province may have resulted either adversely or favorably from organization change through deregulation, decentralization, and devolution. The Champassak Province, therefore, was the setting and case of this research. Public agencies, private companies, and organizations are involved in the process of rural electrification in the third sector. Individuals representing the aforementioned organizations were the population of this study.

### **Population**

Public, private, and nongovernmental organizations involved in developing the power projects located in Champassak Province may benefit from the outcomes of this study. Yin (2014) stated, “collective entities are the units of analysis which are extremely important because many public policy objectives focus on the collective rather than individual level” (p. 13). Although organizations were the units of analysis, I interviewed individuals in the data collection portion of the study (Yin, 2014). The population for this

study was, therefore, people who represented their organizations in the legislative and executive branches, including those working in the management of private companies and nongovernmental organizations partaking in the Lao power sector development. I did not include people working in the judiciary branch because they were passively involved in the process of project development and operation. As the research participants could have been classified into different groups according to their relevant experience, a sample for the inquiry was purposefully selected from different organizations representing various groups involved in organization change relative to the electric power generation that supported the rural electrification program being implemented in the research area.

### **Sample**

I chose purposeful sample. I designed the purposive sample as the units of data collection, aimed at answering the research questions. Researchers used purposive sampling to collect data from the units of analysis that have direct experience in the areas that emerged in the research problems. Given the inclusiveness of the research problems, “purposeful samples should be judged according to the purpose and rationale of the study” (Patton, 2002, p. 245). Qualitative researchers, therefore, need to align the design of a sampling strategy with research problems of the intended research subject. Yin (2014) advised researchers “you may have intended to convey that the “purposive portion of the term reflects your selection of a case that will illuminate the theoretical propositions of your case study” (p. 48). Samples of the units of data collection were purposefully selected from the units of analysis.

In order to inquire about the connection between policy and institutional arrangement in the Champassak Province as a result of the process of organization

change and the requirements of private participation in the investment in power projects in the provincial area, the relevant data were gathered from the units of analysis comprised of participants. These participants were mainly based in the provincial area, and two were people from the central government. Despite the fact that the case study of Champassak Province was chosen for this study, I needed to include some participants who dealt with statutes pertinent to energy development and fiscal policy at the central government level. Governed by a unitary administration, all laws and policies are made by the central government. As such, inclusion of some participants domiciled outside the case study site was necessary. Consequently, the purposive sample represented units of analysis, which were the organizations functioning in relation to organization change and electric power generation.

### **Sample Size**

The sample size and sample strategy was central to the data collection for the qualitative approach embedded with the case study (Creswell, 2013). Qualitative inquirers deal with a smaller number of samples, which can even be one or two individuals. . In designing the sample size, researchers have to understand that the sample size has no common rule in making the qualitative inquiry (Patton, 2002). Qualitative researchers, however, are required to make extensive inquiries about each site or participant in the study. Each qualitative approach needs to have its sample size to be designed in such a way that researchers are able to collect sufficient data taking in to account research questions and timing for data collection. Most qualitative researchers, however, identify a site of study as the point of entry for their data collection process.

I designed a sample size suitable to my study. There were 20 participants in total, representing organizations of different types that have been directly involved in financing, constructing power plants, and power distribution. At the central government, two participants were involved: One participant was sought from each of the National Assembly and the Ministry of Finance, where statute laws and fiscal policy are made. At the provincial level, 18 participants were invited to participate in the study: One participant was invited from each of the following divisions: Division of Investment, Division of Finance, Division of Water Resource and Environment, Division of Public Works, Division of Energy and Mines, and the Provincial Governor's Office. One participant was invited from each of the two commercial banks, four power companies, two construction companies, two consulting companies, and two nongovernmental organizations representing the electricity consumers involved in project development. The sample was purposive because the targeted participants were believed to represent the population with experience in organization change and the rural electrification program being implemented in the Champassak Province. As 20 participants were the targeted representation number of the purposive sample, I had to establish a provisional plan for substituting those who were contacted but were not willing to accept my invitation to participate, or who withdrew their participation during the course of data collection.

## **Data Collection Plan**

### **Steps for Data Collection**

Data collection can be phased in several steps. According to Creswell (2013), data collection includes identifying a study site, gaining access, sample design, contacting research participants, gathering data, recoding information, resolving field problems, and storing data. Having designed a study on organization change implemented through deregulation, decentralization and devolution in the Lao power sector, I examined the institutional arrangement and pertinent policy that have induced change in the private organization in order to explain a trend of private investment in electric power projects located in the Champassak Province. I gathered the relevant data for my qualitative study in the following sequence:

First, having set my research topic entitled: The Impact of Three-dimensionally Organizational Change on Laos' Rural Electrification, I chose a qualitative research method with case study inquiry approach. Maxwell (2013) emphasized that qualitative researchers must decide on the places for conducting the intended research study and identify individuals or organizations to be included in the study in the first step. Next, researchers also have to classify programs, events, and activities, all of which may be treated as a case or cases for research. I selected public-sector reform programs and electrification in the Champassak Province as events happening in the site for this study respectively. In making a data collection plan, I identified organizations as the units of analysis to be involved in my research during the data collection. At the end of the first step, I applied for an IRB approval for the data collection plan as incorporated in my study proposal.



Second, I could have access to the Champassak Province without obtaining permission from the provincial authorities as the area is publicly open to any persons who want to visit or carry out research on topics in the public domain there. After I obtained the IRB approval I identified potential participants representing the units of analysis. Creswell (2013) pointed out that when qualitative researchers find a case approach of inquiry about the entire object or human infeasible, they must determine a sample purposively in collecting data. After the potential participants were identified, I contacted each of them before sending an invitation to participate in my research in order for them to understand my research study. If the participant agreed to take part in my study, he or she would have been requested to sign the consent form, which was sent out along with the invitation. In signing the consent forms, the participants, on behalf of their respective organizations, were deemed to permit my interviews and, at the same time, agreed to participate in my study. Open-ended interview questions were developed from the research questions as listed in Appendix A. However, in order to avoid confusion I did not send out the interview questions to participants in advance. The open-ended interview questions were used as references during the interviews.

Third, after I received a signed participant consent form from each of participants, I started the interviews. I planned to interview two participants from the National Assembly and the Ministry of Finance at the central government before moving down to the Champassak Province. Creswell (2013) suggested data collection may be made from observations, interviews, documents, pictures, and audio materials in order to triangulate results. However, qualitative researchers must distinguish the process of each of the data collection, analysis and writing clearly because these inquiry works take place at around

the same time (Holliday, 2007). For a case study method, "the collection of evidence must be thorough, relevant, and sufficient, and it must be triangulated" (Janesick, 2011, p. 52). I made several trips to the Champassak Province during a period of two months to carry out a series of interviews with the selected key officials of the provincial government agencies, executives of the electric utilities, private organizations, commercial banks, and representatives of non-governmental organizations. I approached a participant from each of the targeted organizations to make an appointment for the interview. Face-to-face interviews were organized in each participant's respective place of work. Alongside the interviews, I gathered policies, laws, and documents of the foregoing organizations in regard to my research questions. Knowing that well-documented government actions were scarce, useful evidences was gleaned from official reports on organization movement and the power development plans as have been issued from time to time in the Champassak Province. Yin (2012) stated "good case studies benefit from having multiple sources of evidence" (p. 10). Project documents, including progress reports, provided relevant facts to what extent the private sector has developed electric power projects in the local areas, considering government fees and taxes as might have been imposed on them. I observed one consultative meeting on institutional arrangement and a review of licensing procedures which were organized during the period of my data collection in the Champassak Province. The information was added up to the meaning of public services being rendered to private parties in relation to the investment in electric power generation.

Fourth, after I completed collecting the required data, the safe keeping of this data by appropriate means was essential. However, storing of the collected data depended

upon tools available to me as the researcher at the case study site. Hard copies of documents, where it was feasible to do so, were converted to pdf files for memo-ing and coding during the phase of data analysis. Face-to-face interviews with the research participants were to be recorded electronically by more than one recording device. Digital materials were kept on electronic files for later retrieval.

Fifth, there were no problems such as withdrawal from the interviews or unwillingness to participate, which could have arisen at the case study site during phases of data collection. Everybody who received sufficient information on my study was willing to participate in the interviews. Likewise, people I contacted to interview were very interested in my study and eager to see the study results because my study was the first US-based supervised research at the highest academic level in the power sector. Consequently, no wrong perception on my study was found during my data collection. Although some participants delayed their giving consent to my interviews due to their availability in office, they finally found suitable time for me. Participants who could not accept my interviews as scheduled called me to postpone the appointments and proposed new times. While I was in the Champassak Province I was also invited to visit two power plants; one which is under operation and the other which is under construction. Managers of the two power projects were amongst the participants I interviewed. I was also asked to participate in a consultative meeting on electricity related issues. Finally, a contingency plan I established for substituting participants who might have withdrawn their participation from the interviews during the course of data collection was not used. Gathering government reports and documents from multiple sources in addition to interviews constituted my plan for triangulating data analysis for the study.

### **Data Organization and Management**

My study employed information obtained from the interviews and data retrieved from print-out documents and minutes of meeting. I interviewed all participants, who were selected purposively, in Lao. Transcripts of those interviews were made in English and stored in multiple electronic files. I rearranged all electronic files according to organization types of the participants. I re-arranged several relevant printed-out documents and information available in a public domain by their owners; I could use them when and to the extent as deemed needed. I arranged the data of all types so as to analyze them effectively and in a timely fashion. The data arrangement was made in both hard copies and electronic versions where the physical nature of those data permitted me to do so. Some print-out documents were scanned and were converted into word electronic files so as to enable me as the researcher to analyze them electronically or manually. The electronic files containing the information obtained from the interviews and reviews of documents were kept in more than one place.

### **Data Analysis and Interpretation Plan**

Organizing data, reading, coding, and interpretation are the process central to data analysis in qualitative study approach. Patton (2002) asserted that with the qualitative analysis, researchers transform the meanings of data as provided by the research participants into findings. There are different guidelines available for making data analyses qualitatively; however, qualitative researchers sometimes do not use any conventional ways when making their quantitative analyses. Coding is among the data analysis techniques applied by many qualitative researchers these days. Researchers rearrange their collected data by making themes and ideas on their focus points

(Creswell, 2013). By applying coding techniques, researchers can reduce large amounts of information into themes or short topics containing focal points that represent subjects or phenomena (Bazeley, 2007). For my study, government documents and project data, together with the interview transcripts, were imported into a database. I planned to use the computer program NVivo10 to help code information gathered in a large quantity of descriptions in making themes relevant to my research topic. I also planned to make hand-coding on some documents available in hard copies that were infeasible to convert electronically readable versions. In making findings of the research, I interpreted information as retrieved from the codes and consolidated from the designed themes. Finally, I made interpretations of data generalized to the theory and conceptual frameworks of organization change as so found in the literature.

### **Protection of Participants**

In conducting the proposed study, I had to address ethical concerns encompassing the whole data collection process, including document reviews, observation, and interviews with the research participants. In collecting data through a review of the documents and interviews with the participants, researchers will need to protect those involved in the data collection (Yin, 2014). First, an IRB approval had to be obtained before collecting the required data. Abiding by the rule, I received an approval from Walden University's Institutional Review Board (IRB) before I started collecting data. Second, written informed consents obtained from each of the participants were essential to me as the researcher before I started interviewing them. Third, the participants and their organizations were assured that they would not be adversely affected by the data collection from individuals and organizations. Finally, views of the participants were kept

confidential at all times. All collected electronic data are stored in my personal laptop and USB drives, to which no other persons can have access without knowing my password. Likewise copies of the reports are kept in my private place although such reports are available in the public domain. All data will be made available for reuse or reviews for the period of five years from date of its storing. After five years elapsed, the data will be destroyed. Electronic versions will be manually deleted. Hard copies of the reports will be shredded.

### **Reliability and Trustworthiness**

Validation of research findings occurs during various steps of the study; nonetheless, a procedure on how the researcher deals with validity and reliability must form part of the proposal (Creswell, 2009). While qualitative validity means the accuracy needs to be checked by the researcher, the qualitative reliability specifies consistency of the researcher's approach across different research projects (Creswell, 2009). For my study, I properly addressed issues of reliability and validity through different stages of the study as follows:

#### **Reliability**

I followed procedures of case study approach in conducting the qualitative study on the proposed topic. Researchers need to follow the same steps as have been taken in previous valid case studies (Yin, 2014). I reviewed whether or not research questions could bring answers that would address research problems. I also examined interview questions and whether or not they were consistent with the research questions. Finally, I checked transcripts of interviews in comparison with audio records so as to make sure

that texts were written in the description and transcribed from what I heard on the audio records. Creswell (2013) asserted that researchers can assure reliability when they obtain firsthand information, detailed notes or verbatim transcripts taken from a good-quality tape recording device. Next, I double checked definitions of codes and whether there was a shift in meaning of codes while coding. All interview records were transcribed by me and then verified by a transcript verifier. Before making data analysis, I checked the verified transcripts and reformatted them.

### **Trustworthiness**

I triangulated data analysis by making themes which were consolidated from the data obtained from different sources, including interviews, observations, and a review of documents. The themes were found to focus on answers to the research questions. When the themes as made from diverse sources of data are convergent, the validity of the study can be considered as achieved (Creswell, 2013). Validity is described as when “a causal relationship whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships” (Yin, 2014, p. 46). Validity of the results in turns brought about trustworthiness of the conducted study. I also took some specific descriptions or themes of the final report back to those I had been previously interviewed, who offered their verification, in order to justify what I have established conformed to the views of those participants.

### **Summary**

In Chapter 3, I have outlined plans to conduct my study that includes a research methodology, population and sampling, data collection and analysis, protection of

participants, and a procedure for finding reliability and validity. Data was sourced from interviews with people at the central and provincial government levels, along with reviews of documents concerning organization change and electrification. Given the case study enquiry approach as selected, sampling was made purposively. Participants were well protected by obtaining prior consents and not disclosing their entity so that their benefits and careers would not be adversely affected by the interview outcomes. In preparing data analysis, I made codes under different themes as designed to respond to the research question. After the data analysis, I discovered substantial convergent and minimal divergent points of the data, which were gathered from diverse sources. Finally, reliability and validity of the study were made in order for me to make sure that the findings are validly meaningful. In the next chapter, I present findings of this study after the qualitative data have been collected and analyzed.



## Chapter 4: Results

The purpose of this study was to explore the impact of three-dimensional organization change in the context of the Laos power sector on rural electrification. The Laos government has changed its hierarchical structures and, at the same time, continuously improved working culture. Changes in the power sector took place at both the central government level and the provincial levels. In 1986 the Laos government first introduced an openness policy known as New Economic Mechanism, which was a catalyst for organizational change towards diverse participation in the power sector. The Laos government believed that diverse participation could bring capital and know-how to developing electricity generation in the country. In the second 5-Year Social Economic Plan, as adopted in 1985, the government laid out its vision Electrification, Industrialization. Change involving the private sector and third sector happened after the first investment law was promulgated in 1988. Following the introduction of the policy and law, organizations of all types at the central government level and provincial jurisdictions, including the Champassak Province, changed in both structure and culture. Some governmental agencies maintained the existing structure, but reoriented their duties in accordance with the new policy. Several private companies were established within the Laos jurisdiction to construct and operate a number of electric power plants across the country.

In Chapter 4, I analyze the connections between organization change and the electrification in Champassak Province. As three-dimensional organization change in the Laos power sector was initiated from the central government level, study on organization

change in relation to the country's electrification is presented before narrowing it down to the case study site. Views of the participants that reflect the links of organizational change in all aspects of rural electrification being implemented in the Champassak Province are elaborated in this Chapter 4. The results of the data analysis are also presented as well as the findings of the study. A summary closes out this chapter.

### **Data Collection**

The process of data collection started shortly after I received the Walden University IRB approval number 07-20-16-0400435. Because I used a qualitative case study, I collected the required data mainly by holding face-to-face interviews. Observations and documents available in the public domain were gathered for triangulation purposes. The information received from the face-to-face interviews was supported by the data gathered from different sources. Data collection includes “gaining permissions, conducting a good sampling strategy, developing means for recoding information both digitally and on paper, sorting the data, and anticipating ethical issues that may arise” (Creswell, 2013, p. 145). In conducting the qualitative study, I went through the necessary steps before conducting interviews with the participants, who had agreed to participate in my study. Likewise, in the interviews with the participants, I aimed at answering “how” or “why” research questions that are the core components of case study research (Yin, 2014). Data for the case study approach of inquiry can be gathered from diverse sources, which range from face-to-face interviews to descriptive documents. Records of the interviews were transcribed into readable texts, which include information as verbally expressed by the interviewees during the interview sessions.

## Participant Recruitment

Because the case study took place in the Champassak Province, my objective was to examine the connection between organizational change, as having been carried out through various public-sector programs, and the rural electrification as currently implemented at the case study site. The participants were purposefully invited from the central government and the local government in Champassak. Participants having roles in law and policy making were selected at the central government level. Those who implemented the laws and regulations were invited from the organizations at the provincial level. Although statutes were promulgated by the National Assembly, fiscal policies were solely made by the Ministry of Finance. Both the statutes and fiscal policies were then applied to all provincial jurisdictions in the country. As such, of the 20 participants, two were executives from the central government, and the other 18 top management people were invited from different organizations domiciled in the Champassak Province. Table 1 shows composition of the participants.

Table 1

### *Participants' Composition*

Organization	Central Government	Local Government	Total
Legislative	1	0	1
Executive	1	6	7
State-own	0	2	2
Private	0	8	8
Non-governmental	0	2	2
Total	2	18	20

Shortly after the IRB approved my study, I established a list of the potential participants. I then sent letters of invitation together with the participants' consent forms to the listed potential participants. I contacted the potential participants by telephone to follow up my letters of invitation. Although a small number of the participants delayed giving their consent to my study due to their availability, all of the participants I approached ultimately accepted my invitation to participate. Because all participants had top executives roles in their respective organizations related to the rural electrification, their signing of consent forms or calling me to confirm their consent were considered as permitting me to collect existing data from their respective premises. All of the participants called me to accept my interview first and then handed the signed consent form to me at the interviews. Some participants as the organizing owners handed archival documents to me at the end or after the interviews.

### **Interviews**

After each participant gave his or her consent to my interview, I forwarded semistructured interview questions (as listed in Appendix A) electronically by e-mails or WhatsApp function on cellphones. Having sent the interviews questions, I also made appointments with the participants 1 week in advance. For the village that had no access to grid electricity and modern communications, I visited the place in person to make an appointment, and I provided the interview questions 1 week prior to interviewing the participant there. I interviewed all of the participants from late July up until the end of September 2016. The interviews took place in each respective participant's private office. I interviewed two executive persons in Vientiane Capital: one of whom was from the legislative body; the other was from the executive body. These two organizations at

the central government promulgate statute laws and endorse government policies. Of the 18 participants, one participant was a village headperson representing an electricity end-consumer group that functioned as a nongovernmental organization in the selected rural area. I interviewed the end-consumer group representative in his hut, which was situated 30 kilometers away from the Champassak prefecture. During the 2-month data collection period, I travelled from my work place in Vientiane to the Champassak Province four times to interview the 18 participants from the various organizations in the province. Overall, I took around 1 week for each trip to interview the participants according to their respective appointments. Interview places, time, and transcript length are summarized in interview details in Table 2 as below:

Table 2

*Interview Details*

Participants	Places	Time (Mon/Date/year)	Duration (Minutes)	Transcript Length (Number of Pages)
Participant 1	Vientiane	07/28/2016	45:12	13
Participant 2	Vientiane	07/29/2016	44:51	12
Participant 3	Pakse	09/28/2016	42:21	12
Participant 4	Pakse	08/24/2016	44:55	13
Participant 5	Pakse	09/06/2016	38:53	10
Participant 6	Pakse	08/09/2016	39:04	11
Participant 7	Pakse	09/27/2016	45:09	13
Participant 8	Pakse	08/11/2016	45:25	12
Participant 9	Pakse	08/08/2016	40:15	10
Participant 10	Pakse	09/09/2016	39:01	11
Participant 11	Pakse- Paksong	08/12/2016	34:32	9
Participant 12	Pakse	08/26/2016	35:12	10
Participant 13	Pakse	08/12/2016	48:12	14
Participant 14	Pakse	08/23/2016	50:18	15
Participant 15	Pakse	09/26/2016	55:25	16
Participant 16	Pakse	09/07/2016	50:36	16
Participant 17	Pakse	09/05/2016	43:07	12
Participant 18	Pakse	08/25/2016	56:18	11
Participant 19	Pakse	08/22/2016	45:44	14
Participant 20	Pakse	09/30/2016	46:27	14

I used the semistructured interview questions, which were sent to the participants earlier, to converse with the participants. I asked each participant all of the 13 interview questions, although some questions were less relevant to the roles of certain organizations. For instance, in Question 13, I asked the participants about institutional arrangements for fiscal policy that they wanted to enjoy by expanding the electricity generation; this question less relevant to the participants from the two nongovernmental organizations. However, I posed several subquestions for clarification during the interviews that depended upon answers from the participants to my main interview questions. I interviewed all of the participants in Lao and then transcribed the interview records into English. All interviews were digitally recorded with two audio recorders. Each audio recorded file was labeled by a code as assigned the participant and organization. I transcribed the record of each interview within the same week as the interview session. Each interview transcript file was coded and assigned to its audio recorded file. Even when access to the files was permitted, other people still could not identify the interviewees without knowing my code translation. Interview transcripts and audio records were sent to a verifier, who signed a confidentiality agreement with me, to verify the correctness of the transcription as well as the translation. The transcript verifier volunteered to verify the transcription for free. The verified transcripts were then sent back to me the following week. I kept electronic files of the interviews and transcripts in two separate confidential places from where I printed them out for later analysis. Each interview transcript bore its own pagination on which my hand coding was marked.

**Observation**

I collected part of the data by observing one consultative meeting, which was organized in early August 2016 by the Governor's Office in the Champassak Province. Although attendance to the consultative meeting was opened to the public, I was invited by its organizer. Invited attendees of the meeting were mostly relevant government officers, private investors, and related service providers. The organizer of the consultative meeting was one of the participants of this study. The purpose of the meeting was to assess convenience and difficulties in private investment in power plants in the province during the first 6 months of 2016. The meeting lasted for about 2 hours and was conducted and recorded in Lao. The organizer also consented to my data collection including interviews, observations, and existing data on the premises. The meeting organizer provided me with copy of the minutes of the meeting for the purpose of my research.

**Existing Data**

Existing data on organizational change in relation to the targeted organizations can be mostly found in public documents. Documents were retrieved from several data sources owned by the government. Some participants handed their organizations' reports in either hard copy or electronic files to me after the interviews. Reports on organizational change related to my study included establishment of new units and companies and the merging, restructuring, and the introduction of new working cultures. However, I selected only three documents that were considered the most relevant to addressing my research questions. Table 3 includes selected government reports.



Table 3

*Government Reports*

Report Titles	Issuing Agencies	Time of Issuance
8 <sup>th</sup> Five-Year Socio-economic Strategic Development Plan (2016-2020)	Governor Office Champassak	July 2016
1 <sup>st</sup> Bi-annual Report 2016	Champassak-DPI (Department of Planning and Investment)	July 2016
1 <sup>st</sup> Bi-annual Report 2016	Champassak-DEM (Department of Energy and Mines)	July 2016

Reports as issued by the legislative body contained adoption of new and amended laws that were in force. I reviewed the selected laws, which were retrieved from National Assembly (2015). Those selected laws as listed in Table 4 were considered relevant to organization change and the rural electrification program.

Table 4

*Selected Laws*

Law Titles	Endorsing Agencies
Law on Enterprise	National Assembly
Law on Electricity (Amended)	National Assembly
Law on Investment (Amended)	National Assembly
Law on Taxation	National Assembly

All of the reports and laws were prepared by their owners in Lao. The documents including the minutes of meeting, reports, and selected laws were gathered for triangulation of the data that I collected through interviews. Despite the availability of

the documents, I duplicated and kept them in two separate places for convenience and quick tracing when I needed to use them.

## **Data Analysis**

### **Data Rearrangement**

In preparing for data analysis, I printed out all of the interview transcripts. As I opted not to use NVivo 10 as previously planned, I made hand-coding instead. The transcripts were formatted for printing on double-spaced paper with margins wider than conventional ones. The wider margins provided me more spaces for jotting and marking on them when hand coding. Having rearranged all 20 transcripts, I sorted them into the number I labeled for each participant. My data analysis changed from applying NVivo to hand-coding because there was no available NVivo version written in Lao that could help code some of the descriptive documents. Although the data for my qualitative study were mainly collected through face-to-face interviews and then transcribed into English, other pieces of information gathered for the triangulation purpose were in Lao. For personal reasons, I preferred hand-coding to NVivo. Computer programs are not usually advantageous for the researchers. Creswell (2013) stated, “a computer program may, to some individuals, put a machine between the researcher and the actual data. This may cause an uncomfortable distance between the researcher and his or her information” (p. 202). Likewise, I planned to present the study results to concerned public administrators after my dissertation had been validated. As the future audiences have less knowledge on computer analyzing tools, I would explain how my qualitative research involved the process of abstracting codes as categorical keywords from the participants’ views. These

would then form themes to help respond to the problems that have been long debated. It would not help the audiences understand the study results by articulating computer software terminologies, such as parent and child nodes and themes, if used in my study. Keeping in mind that the supervisory committee is the top priority, I attended to other audiences. Yin (2014) stated, “the preferences of the potential audience should dictate the form of your case study report” (p. 181). Hand coding, therefore, was the proper option for the analysis of all of my data in my study. Although I did not use a computer program to help retrieve coded data, I used Microsoft Word to create matrices and find keywords for making codes. As such, hand coding did not mean that data analysis was carried out completely manually. Ultimately, hand-codes were made according to the key words I most commonly found in the interview responses.

As I gathered the minutes of the meeting, government reports, and selected laws that were not for coding, I rearranged them for reviewing and extracting key passages and figures to be used for triangulation. Although all interview transcripts were hand-coded, the documents were marked in a different system. Overall, hand-coding for the data analysis in the case study took me 2 months, which was a similar period of time for me to interview 20 participants.

### **Interview Process**

As all interview materials were first gathered directly with the sounds as audio-recorded from the interview rooms, transcription was produced as much as possible according to what was said. The transcripts also contained expressions as directly translated from spoken language used in daily life such as hesitations, slang, and repetition. In preparing data analysis, I reformatted parts of the transcripts that were

unclear into readable passages. For analysis, researchers may make corrections to the transcription and reformat all the transcribed texts before using them (Janesick, 2011). I therefore compared the transcribed texts with the audio records once more after the transcripts were verified by a transcription verifier. The verification was considered as the process of data triangulation before making analysis.

The next step was to analyze the data from the interview transcripts by finding keywords relevant to the subjects that allow me to address the research questions at the end of the data analysis. The keywords most frequently matching the segments of the transcripts were labeled as codes. The process of coding means “seeking evidence for the code from different databases being used in a study, and then assigning a label to the code” (Creswell, 2013, p. 184). I developed a shortlist as lean coding that contained tentative codes before they were finally expanded to 26 categories or codes. Creswell (2013) advised to design not more than 25-30 codes regardless of the length of the database used for the analysis. Likewise, the codes were selected from the transcripts in a way that I would be able to converge information corresponding to those codes on common subjects. Themes than emerged from the common subjects and helped address research questions. The process of data reduction was presented in the following steps of the data analysis. As the transcription were the translations into English from what said in Lao by the interviewees, codes in English as appeared in the transcripts bear many synonyms or meaning-equivalent terms. To avoid proliferating the number of coded beyond its permitted limit, I gave definitions to some codes, the synonymous words of which appeared in different transcripts. Some codes commonly used in all transcripts remained undefined and labeled as “same” in code definitions. Defining codes in such

way resulted from the transcription, which was virtually translated from the interviews as conducted in Lao. Many words in Lao that should have had equivalent meanings to English esoteric terms in the fields of public administration and social science do not exist. As such, synonymous or meaning-equivalent words were used instead of word-for-word translated terms for the purpose of making codes in this study. Table 5 below a list of code definitions.

Table 5

## Code Definitions

Codes	Definitions
Organization	Department, agency
Company	Business
Policy	Law, statute
Reform	3-D reform, 3-staged reform, power allocation
Deregulation	Privatization
Decentralization	Same
Devolution	Same
Investment	Finance, funding
Technology	Know-how
Structure	Same
Function	Role
Work	Duty
Stakeholder	Work with, collaborate, coordinate
Entity	Investor, financier, contractor, supplier, provider
Mission	Responsibility
Diverse	Multi-
Leverage	Outsource, encourage, attract
EIRR	Return, payback, profit, yield
DSCR	Repay, service, requirements
Demand	Need
Supply	Provision
Shortfall	Lack, not sufficient
Private sector	Private entity, business
Project	Same
Megawatt	Electricity, capacity
Electrification	Same

Each transcript bore its own pagination that was printed on double-spaced line paper. I read each of the transcripts more than once before starting coding. Codes were designated as central and defined with synonymous words, I used Microsoft Word help find the central codes in each of the transcripts. This meant that a code as designated for abstracting into a theme served as “the central codes”. When I found synonymous words or keywords as defined having equivalent meanings in the transcripts, I also marked the page number of the transcripts for those words on the cell of the central code. For instance: the word “investment” was designated a central code. I also defined investment as finance or funding. I found the word “investment” on page 4 and page 5 of Participant 1’s Transcript. When I found the words “finance” and “funding” on page 5 and page 6 of the same Participant 1’s Transcript, I counted the page numbers as if they were those of the word “investment” in the designated code. Finally, the central code “investment” were considered to have been found on pages 4, 5, and 6 of Participant 1’s Transcript. I did the same page number marking as elaborated above in all transcripts of the participants. The marked page numbers would guide me to locate passages or sentences that provided information much wider than the code alone. Table 6 shows marking of the page numbers for each selected code.

Table 6

*Code Marking*

Codes	Participant1's Transcript	Participant2's Transcript	Participant3's Transcript	Etc.
Organization	Page number	Page number	Page number	Page number
Company	Page number	Page number	Page number	Page number
Policy	Page number	Page number	Page number	Page number
Reform	Page number	Page number	Page number	Page number
Deregulation	Page number	Page number	Page number	Page number
Decentralization	Page number	Page number	Page number	Page number
Devolution	Page number	Page number	Page number	Page number
Investment	Page number	Page number	Page number	Page number
Technology	Page number	Page number	Page number	Page number
Structure	Page number	Page number	Page number	Page number
Function	Page number	Page number	Page number	Page number
Work	Page number	Page number	Page number	Page number
Stakeholder	Page number	Page number	Page number	Page number
Entity	Page number	Page number	Page number	Page number
Responsibility	Page number	Page number	Page number	Page number
Diverse	Page number	Page number	Page number	Page number
Leverage	Page number	Page number	Page number	Page number
Return	Page number	Page number	Page number	Page number
Repay	Page number	Page number	Page number	Page number
Demand	Page number	Page number	Page number	Page number
Supply	Page number	Page number	Page number	Page number
Shortfall	Page number	Page number	Page number	Page number
Private sector	Page number	Page number	Page number	Page number
Project	Page number	Page number	Page number	Page number
Megawatt	Page number	Page number	Page number	Page number
Electrification	Page number	Page number	Page number	Page number



After I completed marking the page numbers on which codes were found, I addressed code frequency. Code counting was to confirm frequent appearance of each code in the database. When the same code was frequently found in major transcripts, it meant that a theme could emerge from the information converging the code. Many keywords such as “organization” or “change” prevailed in all participant’s transcripts, whereas some keywords such as EIRR (Equity Internal Rate of Return) or DSCR (Debt Service Coverage Ratio) were only found in the interview transcripts of some participants only. While organizational change happened to all selected organizations, EIRR or DSCR were enjoyed only by utilities and organizations involved in financing. However, Creswell (2013) suggested that qualitative researchers are split into two camps regarding code counting. One group of the qualitative researchers opine that code counting is to determine a degree of relevance of the codes to the database by counting their frequency. The other group regards code counting as moving towards a quantitative orientation. For my study, I counted all codes as to make sure that how frequently each of them appeared in the transcripts which were provided details by the participants. However due to a space constraint, Table 7 below shows only samples of the counting.

Table 7

*Code Counting*

Codes	Participant1's Transcript	Participant2's Transcript	Participant3's Transcript	Etc.
Organization	11	12	14	Etc.
Company	16	12	6	
Policy	15	12	12	
Reform	14	12	6	
Deregulation	6	8	6	
Decentralization	5	4	5	
Devolution	6	5	5	
Investment	14	6	5	
Technology	4	2	3	
Structure	6	5	8	
Function	6	6	7	
Work	6	2	4	
Stakeholder	5	3	3	
Entity	10	12	10	
Mission	4	6	10	
Diverse	6	4	6	
Leverage	4	5	4	
Return	4	5	5	
Repay	5	5	3	
Demand	10	13	19	
Supply	9	12	10	
Shortfall	2	3	3	
Private Sector	7	10	13	
Project	23	20	18	
Megawatt	25	30	27	
Electrification	7	10	8	

After I was sure that codes were frequently found in major or all transcripts, I reorganized the selected codes to correspond to the participant's responses to each of the interview questions. Code selection for each interview response was made by a way that when a code was most frequently used in any single interview question, such code was selected. When the same code as may have been less frequently used in other interview response in the same transcript, such code was disregarded. Four interview questions were allotted to the central research questions and three interview questions were assigned to each of the three sub-research questions (Appendix A). Responses were rearranged to correspond to their respective interview questions accordingly. Except for responses to IQ 7 and IQ 13, each of them had one code, a response to each of the other interview questions contained more than one codes. All selected codes as found in the responses were than aggregated. Code aggregation was aimed at having themes emerged from the information where the codes were found so as to help me as the researcher to narrow down the large amount of information to subjects. Table 8 shows code aggregation that links the codes as found in the responses to the respective interview questions.

Table 8

*Code Aggregation*

Codes	Responses to Interview Questions (IQ)
Organization	IQ12
Company	
Policy	IQ2
Reform	
Deregulation	IQ3
Decentralization	
Devolution	
Investment	IQ4
Technology	
Structure	
Function	IQ5
Work	
Stakeholder	IQ6
Entity	
Responsibility	IQ7
Diverse	
Leverage	IQ8
Return	IQ9
Repay	
Demand	IQ10
Supply	
Shortfall	IQ11
Private sector	
Project	IQ12
Megawatt	
Electrification	IQ13

Having reduced numerous codes carrying wider information into themes I designed a table containing a summary of data interpretation matrices. “Themes in qualitative research (also categories) are broad units of information that consist of several codes aggregated to form a common idea” (Creswell, 2013, p. 186). I also created subthemes to maintain a constant flow of the code aggregation to a desired number of the main themes. In analyzing case study evidence, I used a logic model. According to Yin (2014), logic models specify several sequences or occurrence of events happening over a certain time horizon. The events occur in recurrent cause-effect patterns, whereby a dependent variable can shift to the independent variable in a later stage. “The use of logic models consists of matching empirically observed events to theoretically predicted events” (Yin, 2015, p. 155). In reporting case study, researchers transform aggregated codes into themes to respond to the research questions. The transformation involves an inductive reasoning process whereby a long description of the participants’ views is empirically reduced to short passages. Ultimately, researchers link the short passages, where a theme emerges, to a research question. In the data analysis of this study, codes were reduced to several smaller subjects called subthemes. A subtheme emerged from the process of code aggregation, from which passages in the transcripts were derived. The derived subthemes needed to be narrowed down further when addressing the research questions. Table 9 shows an interview response matrix, whereby responses are linked with the subthemes.

Table 9

*Interview Response Matrices*

Response to Interview Question (IQ)	Sub-themes
IQ1	Organizations to change
IQ2 and IQ3	Forms of organization change as so undertaken by the government of Laos
IQ4	Change objective
IQ5 and IQ6	Organizational change was initiated in the public sector
IQ7	Existence of new types of organizations
IQ8	Diverse financing sources
IQ9	Financial criteria of private parties
IQ10	Consequences of change
IQ11 and IQ12	Status of the current financing/ electricity supply
IQ13	Private entities are more likely to provide electricity

I further reduced subthemes to the themes. In this loop of the data analysis, I re-arranged the subthemes with the aim of narrowing them to desirable themes. Finally, themes emerged when I connected several relevant subthemes that flowed from the code aggregation. With the themes as so emerged I addressed the research questions. Table 10 below shows final themes.

Table 10

*Theme Matrices*

Sub-themes	Themes
Organizations to change Forms of organization change as so undertaken by the government of Laos	To undertake organization change in various dimensions
Change objective	For the purpose of developing new power generation projects
Organizational change was initiated in the public sector Existence of new types of organizations	To embrace three-dimensional organization change
Diverse financing sources Financial criteria of private parties	To attract private investment in power projects for the electricity supply
Consequences of change Status of the current financing/ electricity supply Private entities are more likely to provide electricity	Privately invested projects have provided and will continue providing electricity for people in the rural area

I re-arranged information that formed the themes to match the research questions. Having summarized the process, I narrowed down the information I derived from the code aggregation to the subthemes. As the subthemes still contained wider information, I further narrowed subthemes to the themes. The final themes consolidated information, which was abstracted from responses to the interview questions as allotted to each of the research question. Table 11 show match between emerged themes to each of the research questions as below:

Table 11

*Theme-Research Question Matrices*

Themes	Research Questions
To undertake organization change in various dimensions For the purpose of developing new power generation projects	Central Question: How effectively has the Lao government applied the three-dimensionally organizational change, as carried out according to the theory of organization change and theoretical frameworks of deregulation, decentralization, and devolution to make change in the power sector in order to leverage private participation in developing power projects in the provincial area?
To embrace three-dimensional organization change	Sub-question 1: Why does organizational change i.e. deregulation, decentralization, and devolution as implemented in the public power sector induce a consequential change in the sectors other than the government in the Champassak Province?
To attract private investment in power projects for the electricity supply	Sub-question 2: How effectively do the outcomes of the three-dimensionally organizational change respond to the requirements of private finance in developing new electric power projects located in the Champassak Province?
Privately invested projects have provided and will continue providing electricity for people in the rural area	Sub-question 3: Why do privately-invested power projects support the rural electrification program in the Champassak Province?



### **Interview Responses-Analysis**

The Lao government started a gradual change in its organizations following the promulgation of NEM in 1986. While NEM introduced public-private partnership to several public-sector reform programs, the Lao government encouraged organizations other than governmental agencies to take part in the power sector. The public sector reform programs gave rise to the allocation of power and functions between the center and provincial governments, and between the public sector and non-public sectors. In keeping with a unitary status, the legislative branch undertook change in policy and law only at the central level. Participant 19 recalled things happening “during the time the government carried out the reform programs. Previously, laws were meagre in number. As such, adoption of new statute laws was a catalyst for change”. Change started from law making. Then, change was to be implemented by all executive bodies including governmental agencies at the center and local governments. The Lao government has changed multi-dimensionally as follows:

**Policy Change.** Before the introduction of NEM, there were very few statutes in force in Laos. Laws in Laos at the time did not permit organizations other than governmental agencies to become involved in electric power generation. Before change took place, a few state-run power plants were in operation. Such power plants supplied electricity mainly to the prefecture of Vientiane Capital. Despite the small number, all power plants in Laos at the time were considered complete in infrastructure nature, providing electricity as public goods. Openness policy brought about change as explained by Participant 1. The legislative body was the initiator for changes in legislation,

including the introduction of new laws and regulations in order to suit the newly emerging environment. The foreign investment law was, therefore, a turning point for the Lao public sector in opening up the Lao power sector to the rest of the world. Following the promulgation of the law on foreign investment, several statute laws as part of the public-sector programs brought change into the governmental organizations.

Organizational change as having been carried out in various public-sector reform programs took place in attracting finance and technology, which was brought in by private organizations. Participant 20 pointed out that after a change policy, known as NEM, was introduced, many private companies carried out business in different sectors. As such, NEM was followed by the promulgation of the first ever openness policy towards organizations other than the governmental agencies. The law on foreign investment also prompted the Lao government to formulate several pertinent laws that governed private undertakings. Having promulgated the pertinent laws, the Lao government had to undertake revolutionary organization change by establishing new governmental organizations, privatizing a number of government enterprises, and registering newly established private companies. Participant 1 elaborated that change at the policy-making level was initiated by the formulation policy and law and stated:

After the introduction of NEM, our organization adopted several statute laws. To date, we have more than 100 laws coming into force. Moreover, our organization has also continued to amend existing laws in order to suit the national economic development in the new era. In addition, the organization has endorsed the establishment of new governmental agencies, government composition, and appointment of ministers. The laws as have been adopted or amended, as the case

may be, by our organization form the basis for the government to establish or change its organizations. As our legal system has evolved, governmental agencies have changed their structures accordingly.

Participant 16, working in an organization implementing statute laws and regulations in the Champassak Province, added that change policy was a starting point of organization change in Laos:

Change was also driven by a change policy, which was introduced in the second half of the 1980's. New Economic Mechanism or NEM was the change policy and was a favorite topic of debate for all public administrators in Laos. It was initiated in the second five-year plan, which spanned from 1986 to 1990. That was the starting point for the Lao government to make change. NEM introduced a series of public-sector reform programs, which were first initiated by the central government and its agencies. As part of a local government, we joined the public-sector reform programs from the beginning.

Presence of the private settings was followed by operation of the non-governmental organizations in the country. Several non-governmental organizations have provided services such as “surveys on the health conditions of people before and after development projects start” (Participant 12). The law of foreign investment as adopted in 1988 recognized private ownership in the Lao economy in general (National Assembly, 1988). Private entities could invest in different activities including electricity generation and distribution in the forms of wholly private investment, joint venture, and contracting-out. The law also offered investors the chance to develop new projects on a Build-Own-Operate-Transfer (BOOT) basis, whereby investors had the rights to study, design,

finance, and construct the projects on their preference. Participant 20 stated “we have provided consultancy services for our clients. The services include feasibility studies containing technical and financial issues”. Private investors enabled the appointment of lenders, security providers, contractors, suppliers, and associated parties in financing through various developmental processes to operating activities. Private banks “have agreements with several large international banks to jointly finance privately-invested projects and activities located in the Champassak Province” (Participant 9). The laws set rules for the government agencies to interact with organizations of other types.

Functioning as a regulatory body, the government also made norms and standards which were then applied to organizations and individuals. To date, the Lao legislative body has adopted 119 statute laws, which have been amended from time to time (National Assembly, 2015). Participant 2 provided information on the change in fiscal policy:

The relevant department spearheaded the reforms, particularly in setting relevant fiscal policy that has been re-adjusted from time to time. The fiscal policy in respect of determination of tax rates and government imposts to be imposed on businesses of different types in the country was initiated here in our premises before it was signed into law and ultimately adopted by the legislative body in its capacity as the government branch exercising the legislative power. We had been actively involved in the privatization program as so launched in the past twenty years. The privatization was aimed at attracting private investment in various sectors including the power sector in Laos. We had to increase the number of business units so that our revenue incomes would be increased through tax collection.

In order to facilitate foreign direct investment originating from countries around the world, the government of Laos signed a number of bilateral agreements on double taxation avoidance with several governments in order to allow private companies of each respective country to invest outside their country's jurisdiction without being subject to tax burdens (Ministry of Planning and Investment, 2016). Participant 2 further affirmed that the fiscal policy in respect of determination of tax rates and government imposts to be levied on international businesses of different types as registered in the country was initiated by the financial sector having its seat at the central government. In 1995, the Lao government signed the Mekong River Sustainable Development Agreement with three other riparian countries: Cambodia, Thailand, and Vietnam. This has helped the Laos government to promote private investment in different hydropower projects on the tributaries and mainstream of the River Mekong (Ministry of Foreign Affairs, 2016). In 1998, the Lao government ratified the New York Convention 1958 to recognize awards as may be given by the international arbitration panels upon dispute resolution. During the past 20 years, Lao statute laws pertaining to the openness policy have been adopted in Laos with the aim of collaboration, coordination, and cooperation with organizations other than governments inside and outside the country. Since then, all types of organizations have functioned as legitimate elements of society in Laos. Participant 1 pointed out that diversity in organization in Laos must have prevailed in the new financial environment:

After we had gone through the process of change as afore-mentioned, many private investments in various forms have flown into the country. Furthermore, other parties, I think that they are in between the public and private sector, such as

civil society, not-for-profit organizations, charity, philanthropy, and non-governmental organizations also have their stakes in the development of the power projects. Such organizations either have their representative offices established in Laos or operate on a day-to-day basis. The laws as endorsed by our organization recognize the afore-mentioned organizations to be able to function legitimately in the Lao territory.

Participant 12 accentuated that there was a need for several parties to be involved in financing the power projects in the Champasak Province, especially when such projects were funded by various financing sources:

Developing power projects in the current financing environment needs participation of more than one party. The parties involved are investors, contractors, suppliers, financiers, and civil society. Each party needs the contribution of the others. We are very glad that government officials and private people come to seek our contribution to developing hydropower projects and related networks.

In general, the laws as endorsed by the National Assembly solely exercising the legislative power in the country have induced changes in governmental agencies at the central and provincial levels. Change also resulted in the existence of private organizations and the third sector operating and partaking in different activities in the Lao economy.

**Structural change.** Governmental organizations involved in the process of electricity generation in Laos are many. However I focused on some organizations that catalyzed structural change for diverse participation in developing the power sector as so

initiated at the central government level. In managing private foreign investment and other non-governmental participation, the government first established the Foreign Investment Management Committee (FIMC) in 1988. FIMC operated under the hierarchy of the Council of Ministers currently known as the Prime Minister's Office. At the very beginning, FIMC only had its seat at the central government in Vientiane, the capital of Laos (Ministry of Planning and Investment, 2015). Later, FIMC expanded its branches to all provinces to manage foreign direct investment in different activities in the country. Participant 4 and Participant 16 shared a similar view that the Champassak Province did not function as an approving body of the power projects until 1997, when the first electricity law was adopted. Then governmental agencies in the provinces were granted the rights to approve new power projects with installed capacity of up to 5 megawatts and later increased to 15 megawatts. While FIMC was responsible for managing the flow of capital and investment registration, the Ministry of Industry and Handicrafts was responsible for regulating technical matters relating to the development of electricity projects of both generation and distribution. At the time, FIMC also assumed responsibility of negotiating and signing all project agreements pertaining to the electric power development in the country. Later, in 1999, the government established the Lao National Committee for Energy to specifically negotiate and monitor project agreements of privately invested power projects. In 2007, the Lao National Committee for Energy was succeeded by the Ministry of Energy and Mines which currently provides public services in regards to energy and mining development. The Ministry of Energy and Mines is responsible for making power policies and managing the power sector at the central government level. Participant 13 made a notion similar to that of Participant 14,

who explained that organizations dealing with public works and environment have their active stakes in regulating the power sector in the county. Change happening to the focused administrations brought about structural change of the organizations that served as a starting point for organizations of different types penetrating into the Lao power sector. Following change as embraced by the foregoing administrations, other groups changed accordingly. Participant 16 linked organization change happening in one organization to the others as a complex system:

Change has brought ample resources, multi-stakeholder settings, and diverse participation as such into our organization and thereby more input was brought in as well. Change in one sector induces development in others when such change is carried out consistently.

Participant 14 argued that structural change happening in an organization is usually complemented with cultural change. Participant 14 emphasized “when the physical structure of the organization changed, the scope of our responsibilities also altered”. Change as has been initiated by the foregoing sectors facilitated power allocation among different layers of the government. Furthermore, functions that used to be solely performed by the government agencies were also transferred to organizations other than the governmental agencies.

**Power allocation.** In the process of organization change in Laos, decision-making power was allocated among different layers of the government. However, the Lao government did not allocate all matters to its lower layers and organizations other than governmental agencies. Regardless of whether the power projects are developed solely by state-owned enterprises or private companies, those projects are subject to statutes as set



by the legislative power at the central unitary government. According to Participant 1 the “National Assembly (NA) has no subordinates in regards to exercising law-making power that are supposed to have been seated at the provincial level like the executive power. I mean that no NA branch is functioning as law-making units in the provinces”. The legislative power may not be delegated or otherwise be decentralized to a provincial subordinate organization. As such, the legislative power is to endorse government tax rates to be imposed on electricity-related businesses and electricity tariffs that are signed into law, regardless of the location of such businesses. Participant 1 presented a mechanism of the legislative power, which is functioning differently from the other branches. Participant 1 pointed out:

All draft laws are first roughly written by relevant units of the government that exercise the executive power. The draft laws are then improved and polished by lawyers at the Law Commission before they are debated by the legislators at the annual sessions. At ordinary sessions the National Assembly members debate the draft laws in several rounds of the discussion before they adopt the laws.

Likewise, the electric system may not be divided in the same way as the public administration system. Technically, tariffs of electricity transmitted on the same voltage may not be differentiated from province to province. As such, the electricity tariffs applied to all categories of consumers are set by a regulator functioning at the central government level. Both the policy setting and electricity tariffs determination will continue to apply to all small power projects even though they are under the responsibility of the provincial authorities according to three-dimensional organizational

change. Participant 7 explained that the electric utilities in the Champassak Province have followed a policy which was made at the central level:

Now the core business of Champassak-Electricité du Laos is to buy electricity from various power plants and then sell the electricity onto end-consumers.

Regardless of whether electricity is produced by private entities or state-owned enterprises, tariffs have been determined by the regulator seated at the central government.

For large-scale power projects, governmental agencies at the central level grant approvals and monitor the construction and operation. By law, the power to approve and monitor the small-scale power projects with given installed capacity has been decentralized from the central government since 1997. The government did not only decentralize works to its subordinate layers, it also granted the rights to the private sector to do certain works. Participant 7 related government action of sharing responsibility in respect of developing new sources of electricity with the private sector to deregulation. Participant 15 referred the transfer of both functions and revenue collection power from the center to the provincial governments as devolution. Hence responsibility, functions, and power of the government agencies related to the power sector development were allocated in accordance with the organization change process as divided into three steps. Three-stage reforms in the Lao context meant the three-dimensional organizational change as contemplated in this study. Participant 4 opined:

The public sector reform programs we undertook almost thirty years ago must have conformed to three-stage or three-stage reforms. Deregulation, decentralization, and devolution have been part of the public-sector reform

programs. Such three-stage reforms contain change in several aspects in the organization. Our organization and its predecessors in the Champassak Province have embraced all changes.

To confirm that change had been carried out in the organizations in the three stages, Participant 2 gave a contribution to the power sharing from the central government viewpoint:

We launched public-sector reform programs in the late 1980's containing, in relation to our area, fiscal reforms. The three-stage reforms consisting of deregulation, decentralization and devolution were embedded in the public sector reform program.

Participant 3 articulated power transferring in regards to tax collection, which was allocated to the provincial government. Functions together with tax collection power were transferred to the government relevant agency. Participant 3 stated:

Decentralization in the finance sector was concerned with transferring functions from the Ministry of Finance to the relevant organization in the Champassak Province. Tax registration, especially for businesses to be registered with the provincial authorities, was transferred to our organization. Lastly, in 2010, the Champassak provincial government devolved the power to collect taxes as imposed on power companies having their domiciled seats in the Champassak Province. Now we collect taxes from all electricity-related businesses. When power projects import skilled laborers, construction materials and heavy equipment, such companies have to obtain permission from the province.

The power sharing helped the government to mobilize resources from diverse sources. At the same time, giving power to the lower layers to extract revenue incomes through tax collection enhanced the provision of public service. Responsibility allocation and power sharing among organizations happened continuously in the operating environment. The three-stage public sector reform programs known in the Lao context were translated into three dimensional organization change. Change facilitated transferring functions from public agencies to private organizations, from the central to provincial governments, and both functions and tax collection power were devolved to the provincial governments.

### **Organization in the Champassak Province**

Following organization change as initiated at the central government level, the Champassak Province as a local government has embraced such change in various dimensions. Governmental organizations directly involved in the rural electrification are the agencies dealing with private investment and those organizations that manage power generation and distribution. Several branches of the state-owned enterprises dealing with electricity were established in the provincial jurisdictions at the outset of the change policy at the provincial level. At the same time several private companies registered their entities to undertake different electricity-related activities with the participation of non-governmental organizations and civil society in the Champassak Province. Likewise, successful development of the power plants needed “several fields ranging from engineering to financing, to manufacturing of equipment, to economics, to social and natural science in respect of environment, and to legal consideration” (Participant 6). Domestic and international non-government organizations (NGOs) have also operated

and become involved in different businesses across the provincial territory. Participant 12 stated:

Our organization came to Champassak after the country introduced an openness policy. We have performed several activities as have been carried out by either the governmental agencies or private entities. We have also collaborated with several private companies which currently invest in several sectors in the Lao economy.

Participant 16 reported on diverse organizational composition in the Champassak Province, especially in the sector relative to electricity generation and supply in this comment:

According to NEM, sectors other than the government were invited to participate in power generation and distribution. Since then, many private companies have been established in the country and in our province as well. The private companies range from investment entities to suppliers, to consultancy and service providers.

In the Champassak Province many private companies dealing with design, construction, equipment and machinery supply, banking, insurance, and consultancy service were established. Participant 19 noted that law firms registered in the Champasak Province have provided legal services for governmental agencies and private companies in making contracts related to financing power projects. Private companies have contracted work with other companies developing projects and works related to civil and engineering construction. Participant 20 stated “engineering services for the companies

dealing with construction of the power plants and auxiliary facilities, such as transmission lines, substations, and dispatching centers, is provided by our company”. As organizations in general have changed, the energy sector needed to change accordingly. Participant 12 suggested that presence of the non-profit organizations in the Champassak Province witnessed inclusive participation and thereby change policy was implemented at a grass-rooted level:

We understand that the presence of diverse organizations in the Champassak Province has witnessed a change policy, which has been embedded in a series of public-sector reform programs. We have been actively involved in the development of several power projects located in Southern Laos.

Changes in organization in the Champassak Province took place in various modes. Law and policy making power has been kept with the legislative body, which is seated in the central government. While some existing organizations have maintained the relationships between the central and provincial governments, certain functions and power were clearly allocated among them. Private and non-governmental organizations established their new entities in the jurisdiction of the Champassak Province. Despite diversity in organizational change, the Champassak Province has embraced revolutionary and evolutionary change in its organizations.

### **Evolutionary Organizational Change**

The power sector development in the Champassak Province has actually been deregulated since the promulgation of the foreign investment law in 1988. Shifting from being heavily controlled to deregulation meant a gradual change in organization. It has

been understood that organization change became evolutionarily “when the government ceased to monopolize its service; the government moved towards deregulation and privatization” (Participant 19). Since then, several power projects were developed with private participation in the provincial area. At the beginning of the public-sector reform programs in the Lao power sector, the Champassak Province like other local provinces only took part in developing power projects in its territory by involvement with project monitoring. Later, the laws gave the absolute rights to the province to approve certain projects in terms of their installed power capacity. Participant 14, working at the provincial level noted:

At the very beginning, when all power projects were approved by the central government, we in our capacity of a provincial division were less involved in approving and monitoring the engineering design of those projects. When the first electricity law was endorsed by the National Assembly in 1997, the Champassak Province was granted the rights to approve new power projects with installed capacity of up to 5 megawatts, which later increased to 15 megawatts.

Engineering works in relation to design and construction of the power plants were also decentralized to the provincial authorities. The law gave rise to decentralizing functions, which used to be performed at the central government, down to the Champassak Province—a local government.

The process of giving licenses also covered issues related to the power project development. In addition to a technical and financial feasibility study, developers are required to procure approvals for social and environmental impact assessment. Participant 13 provided an opinion on the power allocation between the center and provincial

government in another sector that is connected to the development of hydropower projects in the provincial area:

Now relevant organizations in Champassak also have the power to approve environment issues and water usage with regards to the new hydropower projects with installed capacity of up to 15 megawatts. In the process of approval, we assumed a wider range of responsibilities than before, when all power projects were approved by the government at the center.

In addition to transferring the functions, the Lao government devolved tax collection power to Champassak government in order to strengthen its revenue base in the province. Champasak government believed that when governmental organizations were financially strong, they would be able to provide more goods and public services for its people as well as society. With the devolution of tax collection power, Champassak tax authorities collect resources usage levies, income tax, and fees from the power projects as approved in the province. All related businesses are also required to pay taxes to the provincial tax authorities. Participant 3 explained that taxes are now collected from businesses in the Champassak Province. Participant 5 explained that companies registered in Champassak were required to pay taxes in the province when such taxes were due:

Regarding devolution, in the 3-D reforms the provincial tax collection authority has devolved power to collect tax from people and entities operating in the province jurisdiction. We, the private people, have paid GST to the Champassak tax collecting agency. We pay a registration fee and personal income tax here in Champassak. When my company operates and generates electricity we will also



be required to pay corporate income tax and resource usage levies to Champassak tax collecting agency.

Not only did power projects pay taxes to the tax authorities, other related businesses such as civil contractors, suppliers, and consultancy companies involved in developing power projects were subject to paying taxes in the province. Participant 3 confirmed that businesses paid taxes to the provincial tax collection authorities.

Participant 11 added:

Since the formation of our company, we were notified to pay taxes to the Champassak tax collecting agency. The tax collection power was devolved from the central government to its subordinate in the Champassak Province. Private entities, either being registered or operating here, are required to pay taxes to the local taxing authorities. We, therefore, are involved in devolution. To this end, we are involved in all three D's changes.

Change, as has been brought to the Champassak Province facilitated people and organizations to partake in the process of electrification. Change also introduced a way of interaction among organizations in the province. Culture change led to the alteration of organizational structures. According to Burke (2011), organizations change revolutionarily when such organizations undertake improvements and progressive steps to fix problems in order to achieve better outcomes. Champassak government, therefore, needs to improve its working culture aimed at electrifying the whole provincial area in the set timeframe.

Before the Champassak Province was granted the rights to approve power projects in its territory, the province had benefitted from the supply of electricity from large-scale

power projects to its prefecture and, to some extent, some suburban areas. Nonetheless, many rural areas remain without electricity to date. The central government transferred responsibilities for providing electricity to the remaining area from the sources to be procured by provincial government. Participant 11 revealed that some areas still have no access to grid electricity although Champassak government has made concerted efforts to expand electrification in the whole provincial territory:

After the 3-D reforms came to the Champassak Province, many villages were connected electrically, but not our village. That's why we created our group, to speak on behalf of the village, in order to have electricity as promised by the government and people coming to see us. Our group deals with electrification in our demographic area. Electricity should come very soon.

Evolutionary organization change, as has taken place in the Champassak Province includes diverse participation in the whole process of project financing, electricity generation, and supply. Organizations change a way they have interacted and coordinated to achieve common goals. Diverse participation also related to public-private partnership, whereby organizations existed and functioned as settings other than the public and private organization. Diverse participation was also the process of allocating specific-works among different types of organizations. Participant 4 observed a multi-stakeholder arrangement from the governmental agency point of view:

In performing our duties, we need to talk and work with several other parties. The parties are peer organizations at the local level and at the center. In addition, we have also collaborated with private companies and their relevant parties such as contractors, financiers, suppliers, non-governmental organizations, and civil

societies. Private companies are not only the entities investing in the production of goods, but also those providing services. Dialog partners of Champassak-DPI are international financial institutions: the World Bank, the Asian Development Bank, International Monetary Fund, and aid agencies including different types of organizations from around the world.

Multi-stakeholder setting could be seen from the private organizations' point of view. Participant 18 claimed that private organizations operating in the Champassak Province have closely worked with several governmental organizations. Participant 18 explained:

We are working with private banks here in Champassak. We have worked with our consultants and various companies to provide us with legal and technical services. More than that, during the study of our project, we worked with villagers, communities, and local organizations.

Organizations in the Champassak Province changed a way of mobilizing funds and technology for generating sufficient electricity. According to Burke (2011), evolutionary change in organization is complemented by revolutionary change. Champassak government, therefore, embraced both evolutionary and revolutionary organizational change.

### **Revolutionary Organizational Change**

The main focus of organizational change in this study was on organizations being actively involved in electric power generation and distribution. Organizations including governmental agencies, private companies, and non-governmental organizations have taken part in the process of rural electrification program in the province. The

Champassak Division of Industry and Handicrafts, which used to oversee the expansion of electric networks in the province, expanded its responsibilities to approve and manage power projects located in the provincial territory. Following the responsibilities expansion, the government agency was restructured by establishing additional units. In 2007, the province established the Division of Energy and Mines (Champassak-DEM) to succeed the Division of Industry and Handicrafts. Champassak-DEM assumed responsibilities for overseeing inter alia technical matters in the power business operating in the provincial jurisdiction. Participant 15 noted “when the central government assigned more and wider responsibilities to us, Champassak-DEM set several units and recruited more qualified staff to manage its works in the new environment”. Champassak government also established the Division of Planning Investment (Champassak-DPI) to manage private investment in all sectors, including the power sector in the provincial territory. Participant 4 overviewed structural change in governmental agencies which were in charge of private investment in the Champassak Province. Participant 4 highlighted:

After foreign direct investment came to our province, a sub-unit under Champassak Division of Planning and Foreign Economic Relations was founded.

At the very beginning, private foreign investment was found in various forms, ranging from setting new projects or factories, to buying public assets, and to contracting out works that used to be solely performed by public agencies.

Currently private companies submit their applications for new investment and business registration to Champassak-DPI, which acts as a regulatory body, to issue investment licenses to private investors in the province. Electricité du Laos (EdL)

established its EdL Champassak branch (Champassak-EdL) acting as a subordinate state-owned enterprise to buy electricity and then sell it onto end-consumers in the prefecture and households in the country area. Presently, Champassak-EdL has the responsibilities to expand electrical networks in all ten districts. Participant 7 elaborated change happening to an organization which has been responsible for the supply of electricity in the provincial territory:

We have changed in several dimensions ranging from restructuring hierarchy to reshuffling staff composition, and recruiting additional personnel. Champassak-EdL as an electric utility in the province has played a key role in the reforms. Champassak-EdL has changed its internally institutional arrangement continuously and dynamically. It set up several new units to assume new responsibility that has been transferred from the EdL headquarters in the central government from time to time.

The Electric Installation and Construction State-owned Enterprise (EICSE) also set up its provincial office, namely Champassak-EICSE, which is in charge of providing the service of electrical installation and construction for households and industrial facilities on a non-exclusive basis in the province. Participant 8 maintained that the process of structural change in an enterprise which is owned by the state has also moved towards deregulation and decentralization:

Following the segregation of its mother company in Vientiane, Champassak-ECISE as a subsidiary was incorporated in the Champassak Province in 2006. The corporatization of Champassak-ECISE was in the process of privatization. At the time, parts of EdL's assets were sold into private hands; ECISE was segregated to

be an independently corporatized unit. The segregation happened after 1988. Then ECISE established a branch office in the Champassak Province. Despite the fact that Champassak-ECISE is a state-run enterprise, it does not monopolize the business of electric construction and installation. There are many private companies here undertaking the same business in the Champassak Province on an equal footing.

After the province had been delegated with the power to approve electric-power projects, several private companies registered their businesses with the provincial authorities in order to develop new power projects in the provincial territory. Selected organizations as presented in Table 12 were found in Champassak-DEM (2016) and Champassak-DPI (2016). Those organizations are actively involved in the process of financing power projects and electricity-related activities. Private companies could be categorized as investors and those undertaking electricity-related business. Participant 5 explained how a private company was established in Champassak in searching for a new hydropower project for development:

My investment partners and I founded the company in 2011. We registered our company with the Champassak-Division of Planning and Investment. We also registered a tax identification with the Champassak-Division of Finance. Our company is a very small entity, having around 10 staff. The company is divided into the Administration Division and the Technical Division. One hydropower project was allotted to us to be developed for the domestic supply of electricity. The installed capacity of the project as currently designed is 5.2 megawatts. The project is under preparation and study.

Table 12

*List of Organizations*

Sector of Service	Ownership Type	Quantity
Power utilities	Public	2
Existing operational power plants	Private	4
New operational power projects	Public/private	2
New power companies/power projects	Private	25
Law firms	Private	4
Consultancy service companies	Private	10
Construction companies	Private	8
Commercial banks (branches)	Private	6
Public banks (branches)	Public	2
Machinery and Material supply	Private	8
Non-governmental organizations	Third sector	10

Similarly, private companies specializing in business other than direct investment in the power plants were established as legal entities in the Champassak Province. By law, private companies who sought investment were required to establish their legal entities before they were allotted with new projects through a bidding selection or direct negotiation process. The companies then undertook necessary studies as required by law to raise financing. Participant 6 introduced a private company specializing in civil works related to the construction of hydropower projects:

Our organization is a liability limited company which is wholly owned by private shareholders. So we are a private company. My investment partner and I founded our company in the early 2000's. Our company was registered with the Champassak-Division of Planning and Investment. We also filed a tax

identification with the Champassak-Division of Finance. We deal with civil construction. We specialize in concrete structures and earth-filling for building hydropower dams, earth dykes, and water canals.

Private banking services were provided in Champassak since the province embraced revolutionary organization change. In response to the change policy and the need of social organizations, several private banks established branches in Champassak in order to serve their clients. Participant 9 stated:

Our bank was established in 2009 and in the same year our branch office was incorporated in the Champassak Province. Our main duties are to maintain deposits and lend money, either to individuals or organizations. Providing securities is also our mandate. We also effect bank transfers and receive money transferred from other banks. We have solely financed or co-financed projects as owned by public or private entities or a combination of both. We have provided both short-term and long-term loans.

The province also permitted several local and international non-governmental organizations to operate in its jurisdiction. The NGOs have been actively involved in different project activities including public consultation and environmental mitigation plans. Participant 12 talked about contribution of the third sector to the process of developing new hydropower projects. Affected people living in the project areas must have their health checked at the cost of developing companies as part of mitigation of environmental and social negative impact measures. Participant 12 explained:

To my knowledge, no other agencies offered the healthcare service previously; only governmental agencies did. Now, the healthcare service for outreach and



poor communities living in the remote areas has been provided either by for-profit or not-for-profit organizations. As such, the healthcare service has been moved away from the center—it should have been decentralized. When the service was moved away from the hand of government agencies to that of private entities, it should have been in the privatization process.

Revolutionary organization change is complemented with evolutionary change involving changing missions, restructuring existing settings, and introducing new organizations. In the context of the Lao power sector development, evolutionary policy change led to revolutionary structural change. Burke (2011) suggested that revolutions happen when (a) internal elements are disrupted, leading to pulling sub-systems and activities out of alignment with each other; (b) environment changes leading to the creation of technology and industry. The government not only transferred functions in the power generation to its provincial level, but also allocated works to organizations other than the governmental agencies operating in the provincial area. To this end, organization change as resulted from deregulation, decentralization, and devolution were embedded in various public-sector reform programs as have been carried out over the years in the Champassak Province.

### **Project Development Process**

Diverse organizations have interacted through standards and norms which are understood in policy and law. Interaction can bring about good outcomes when such interaction is framed by consistent policy and law. Following organization change taking place in Champassak in various dimensions, organizations of all types have coordinated as a network aimed at achieving financing of the power plants. Power projects in

Champassak are mostly hydropower, the development of which takes several years to make the projects achieve operation. The development process of new power projects starts from project identification. Then the process goes through a comprehensive study including feasibility, environment impact assessment, design, financing, construction, operation, and distribution. Private companies that show their interest in investing in the power projects are required by law to be registered as legal entities in the province and they select projects to be developed. After being allocated with a project for development, the private companies are referred to as “developing companies”. There are several sequences in developing hydropower plants on project financing, particularly in the provinces. Participant 5 explained the development process that spanned from undertaking required studies to generating electricity:

We were also required to carry out various studies including feasibility, and environmental and social impact as may have been made by actions related to construction. When the study phase has been completed, we will proceed to financing and construction of the project facilities such as a dam, powerhouse, and dedicated transmission line. And of course, operation and supplying electricity is our ultimate goal, once the construction has been completed.

First, private companies are required to carry out a technical feasibility study including an environment impact assessment study and mitigation plan that are to be made to the satisfaction of their potential lending financiers and the Champassak government. According to Participant 15, works associated with the preparation of power plant development, such as engineering design, are to be approved by government

agencies in the Champassak Province. At the project study stage, developing companies use their financial resources to fund the required project studies at their own risk. The developing companies use their financial resources as a project pre-development cost to engage different contractors to undertake studies and designs that will be quantified as part of equity financing later. In designing projects, the developing companies are required to involve civil society and NGOs in public consultations on environmental and social impact issues. To sum up, “both regulatory bodies and private businesses need to work together in order to achieve their respective goals” (Participant 17).

Second, a license agreement to be given by Champassak is based upon the potential project bankability, which should have resulted from a technical and financial study of the project. Participant 15 explained that all technical matters should have satisfied the requirements of a technical government unit before a license is issued. There are other governmental agencies partaking in a decision making process, where collaboration, and coordination among line governmental agencies takes place. “Champassak has provided several licenses for developing companies. With regards to electric power projects, all applications for developing new projects are submitted to the responsible government agency. Champassak has provided licenses for several developing companies” (Participant 4). However, according to the Minutes of the Meeting (2016), many investing companies failed to agree on the license agreements, whereby the parties set forth obligations to develop the projects and investors’ commitment to paying government taxes.

Third, the project bankability is based on the project revenue incomes to be received. Annual project revenue income correlate with the project capital expenditures,

including government taxes and various charges to be imposed on the projects, as well as lending institutions. In financing a power project, the developing companies usually borrow around 80-90% of the total investment cost from different commercial banks, depending upon lending covenants that vary from bank to bank. Participant 9 revealed that commercial banks also provided loans as debt financing for several construction and installation companies doing parts of electrical networks and other activities related to the rural electrification program. The banks have also processed a number of proposals in anticipation to finance the construction of new small power projects in the Champassak Province. The remaining 10-20% of the total investment cost covers the pre-development cost and financing from their sources that are collectively called equity financing, which is usually shouldered by shareholders. The foregoing principles should have been agreed upon by the parties and signed into project agreements.

Fourth, the developing companies become concessionaires or licensees only after they have their license agreements duly signed with Champassak-DPI. The concessionaires sign financing agreements, which have been negotiated between developing companies and the lenders during the project preparation. In signing and entering into the financing agreements, the licensees use inter alia equity, license agreements and future cash flow as collaterals against borrowing. Participant 19 related practices in coordinating with other private companies to the practices as implemented by the organization represented by Participant 20. Both Participant 19 and Participant 20 made similar explanations that investors contracted other companies to provide legal and engineering services when they conducted a feasibility study for the projects. Participant

18 revealed the requirements of the investors and commercial lenders in financing a power project in the Champassak Province:

Looking from a financing perspective, private investors want to have a satisfactory return or Equity Internal Rate of Return (EIRR), taking into account risks associated to their investment in this country. Likewise, commercial banks providing loans also want to have a debt service coverage ratio (DSCR) secured before lending.

Potentials for developing electricity sources found in Champassak territory are mostly hydropower. Given the hydrology and geology for hydropower engineering, private developing companies usually take at least three years to complete all the required studies. In signing and entering into a license agreement, private developing companies have to agree on taxes to be imposed upon their businesses and their associated parties, such as contractors, suppliers, and financiers. The concessionaires, also known as licensees, must also sign a power purchase agreement and agree on fixed electricity tariffs with Champassak-EdL over a certain period. Financial criteria, including equity internal rate of return (EIRR) and minimum debt service coverage ratio (DSCR) required by the investors and commercial lenders respectively, are influenced by the levels of taxes as determined by laws. Participant 5 stated:

Financial criteria must be measurable and they must be to the satisfaction of shareholders. Lenders also want to make sure that their borrowers are able to repay loans when they are due. As such, our selected project must be bankable; I mean that with the project assets—both tangible and intangible— we can raise financing from commercial banks. All private investment companies require that

projects yield high cash flow in both nominal and net present value (NPV) terms so as to enable investors to repay debts to their lenders. After paying debts, companies need to have available cash as a net profit. The net profit can be secured only when the tax regime, as imposed on us by the government, is consistently stable.

In undertaking financial analysis, investors take into consideration numerous interplays between the government policy and the requirements of the private parties. The total project revenues are fully controlled by the electricity tariffs, which are determined by the central government regulator, taking into account a long-run marginal cost of the country's electric system. Except for indexation of the energy tariffs, annual generation of electricity in a power plant is almost constant. The annual project revenues are constantly derived from the total generation multiplied by a nominal electricity tariff. Any increase in government taxes is translated into expanding operation expenses and thereby a decrease in profit will occur. As such, a degree of the fiscal imposition made by governmental organizations either adversely affects or supports the project financial profitability.

Last, whether or not the project developers can raise financing from commercial banks, they need to prove the ability of repaying debts (bankability) to the commercial banks. The repayment depends upon the forecasted financial profit level (financial profitability) of the projects. Power projects are financed and constructed only when the project investors can raise sufficient funds to cover all costs of financing and machinery and construction of facilities. Participant 10 suggested:

There are several sequences contributing to the public reform programs whereby electrification is at the far end of the process. All sequences interlink to each other. In a macro-economic sense, taxes are one of the public-adjusting mechanisms, whereby governments can regulate their economy effectively. When you want to stimulate your economy, you need to lower tax rates as part of the stimuli package. The same application works for a particular sector in the economy. With regards to the power sector development in the Champassak Province, I understand that the fiscal policy has played a decisive role.

As such, all parties involved need to harmonize their participation in order to make the projects happen at costs acceptable to host organizations, power consumers, producers, and financiers. In the context of developing power projects on project financing, the host government has changed its organization to a great extent in order to accommodate requirements of organizations of other types that partake in the development process.

### **Electrification Profile**

Historically, the Champassak Province has been under-electrified due to a lack of supply at its sources. In 1990, less than 10% of the total families in the province had access to electricity. At the time, only families living the provincial capital, Pakse, had access to an electricity supply 24 hours a day (Champassak-EdL, 2016). Electricity as provided by the two existing power plants operated by Champassak-EdL was insufficient. Participant 7 stated:

Because the Lao government could not develop power projects from its own financing sources in the past, it introduced a series of public-reform programs to

attract private investment. Presently the government alone cannot provide sufficient electricity for the country; neither can private companies. Before the change policy took place, the number of households having access to grid electricity in the Champassak province was very low.

Participant 11 added “if the government could give us electricity, we would not have lived in darkness like today”. In order to meet demand in the provincial prefecture, a limited amount of electricity was also imported from nearby provinces. In 1999 there was only one private company that could construct a large-scale hydropower project and supply the electricity to the Champassak province. At that time, Champassak-EdL owned and operated one existing small hydropower plant and one diesel-power generator supplying limited electricity to the Champassak prefecture. These power supplies could not generate sufficient electricity to meet the increasing demand in the whole province.

After the Lao government started its public-sector reform programs by undertaking organizational change, private participation has been increasingly prevalent in the Lao power sector. Several private companies sought for participation in building new power plants where geographical conditions and forms of business permitted them to do so. At the time, all large-scale projects across the country were approved and monitored by government agencies at the central level. Since then, the Champassak Province has benefitted from new sources of supply and imported more electricity from its neighboring provinces in order to meet the demand in the provincial territory. Participant 15 reported on the current electricity consumption in the Champassak Province:



You can see that the electrification ratio—I mean the number of families having access to grid electricity—was very low before we embraced change. Now, around 96 out of 100 families use grid electricity.

Participant 8 forecasted an increase in electricity consumption in the Champassak Province. Participant 8 also acknowledged private contribution to the rural electrification program as implemented in the province:

The electricity for the supply to both urban and rural areas keeps growing steadily. Electricity generated from the power plants as owned and operated by the private investors has filled the gap. I mean that the private sector has contributed to the expansion of electrification in the province to a great extent.

Until the early 2010's, the proportion of households across the province with access to electricity steadily grew. According to Champassak-EdL (2015) in 1995, the number of families in the province having access to grid electricity started increasing. Participant 13 articulated “after the government opened up its power sector to the rest of the world, lighting and industries could be seen everywhere. When we have electricity, other developments such as basic infrastructure and telecommunications will follow suit”. The electricity was imported from the nearby provinces which had some new power projects constructed by parties other than the government agencies. According to the Governor Office Champassak (2016a) and Champassak-DEM (2016), in 2000, after several new privately participated and invested projects achieved operation in the neighboring provinces, the percentage of families having access to electricity in the Champassak Province was 70. The number of families using grid electricity across the Champassak Province was 90 out of 100 in 2010. Since then, growth in electricity access

by households has slowed down. In the first half of 2016, the province estimated an average number in 100 families with access to grid electricity had increased to 96. In general, “when all power plants were approved and managed by the central government, the electrification went well” (Participant 15). However, it was observed that when Champassak government was granted power to approve the projects for self-sufficiency, inactive electrification program gradually appeared. Likewise, after the Champassak Province embraced organization change in all three dimensions, the number of private companies who looked for new power projects in the province slightly decreased. Although the number of power projects located in the territory of the province as proposed by private companies increased, electricity still keeps coming from the large-scale projects as approved by the central government.

The demand for electricity in Champassak will continue to increase over the coming years. To that end, the province still needs more electricity for the supply to both urban and rural areas. Participant 18 suggested “the priority of the rural area is to have electricity for lighting and use in daily lives. Later, once households in the area have been connected electrically, I expect that some light industries, for instance rice milling, food processing, irrigation, will follow suit”. However, the number of families having access to grid electricity is unlikely to increase unless new power plants are constructed in the province. Responsible governmental agencies have been aware that currently “electricity consumption in the Champassak Province has not increased at all” (Participant 7). It was apparent that the electricity as so supplied to the Champassak Province came from large-scale projects, which were developed in the nearby provinces. The Champassak Province, therefore, realized its increase of electricity consumption thanks to a substantial import of

electricity, generated by large-scale projects, located in neighboring provinces. The importation of electricity may be reduced in the future as the demand in the nearby provinces has also steadily increased. If the supply decreases, electricity shortfall in the Champassak Province will be even larger than forecasted. Such shortfall can be made up by the electricity to be generated by power plants located locally. The Champassak Province, therefore, needs to facilitate more investment in the new power projects.

### **Stagnation of Power Plant Development**

While organization change in all three-dimensions of deregulation, decentralization, and devolution has brought about diverse participation, problems arising out of the process of private financing need to be closely explored. One may raise questions about why projects under the approving mandate of the Champassak Province do not progress well; what the causes are; and how financing plays a decisive role for making the power projects happen. Failure to raise sufficient funds has led the power companies to be unable to construct their projects. Almost all project proposals as so submitted to the banks for raising debt financing were considered not bankable as the financial analysis has revealed that those projects would yield insufficient cash flow to service debts during the debt servicing period. Participant 5 related financing to the construction works in regards to developing new power plants in Champassak:

We cannot raise financing for our selected project because the banks we have approached rejected our financial proposal. What we were told by the banks was that their financial analysis showed that our company would not have sufficient cash flow to service debts. They said that they would be at risk if they lent the money to our selected project. A financial shortfall has resulted from the higher

capital expenditures. Items that made the capital expenditure rocket were government taxes, fees, and surcharges imposed on the project. Also, the government has regularly introduced new laws pertaining to fiscal collection that are enforced on us retroactively.

Participant 10 added that financial institutions could release the loans only when they assessed that the borrowers had the financial capacity to repay both principals and interest payments as scheduled in the financing documents. Participant 10 argued:

Banks cannot consider lending to projects as have been proposed to them because the capital expenditures of those projects tend to be on the high side. Our financial analysis has revealed that the capital expenditures are high, and at the same time, the after-tax revenues left in the cash flow are low. Such unfavorable financial conditions have made many projects not bankable—unable to raise debt financing from commercial banks.

According to Participant 9 and Participant 10, financial difficulties in regards to financing are the main obstacles to building new power plants in Southern Laos. The capital expenditures are from government taxes, amortization, and operations. However, substantial parts of such capital expenditures are constituted by government taxes, concession fees, and imposts. In addition to onerous tax impositions, the government has regularly set new rules that make the power project development more difficult. Developing power companies, commercial lenders, and the borrower are all required to pay taxes on the same of amount money in the same transaction. According to the Governor Office of Champassak (2016), many investing companies have already closed down their offices in Pakse due to the inactive development of their proposed projects.

Most project proposals fall into a financially difficult situation because investors are unable to raise finance from the private banking system. After organization change in all dimensions had been applied to the power sector, the Champassak Province developed very few new power projects within its jurisdiction. According to Champassak-DEM (2016), out of 25 project proposals as so submitted to relevant governmental agencies in the the Champassak Province during the past ten years, only one power plant is currently under operation and one project is under construction. The static development has resulted from difficulties in raising finance by the investors. Participant 6 explained that devolution in the power sector influenced other sectors. When one sector was shrinking, the other sectors having networked business did not grow accordingly. Participant 6 stressed:

When there is no power project then there will be less construction work, no material manufacturing, no related service, and ultimately no job creation happening in the province. You see how activities of different social organizations in the economy of the province relate to each other. Activities of an organization may be the environment inducing change of the others.

Participant 17 exemplified interlink between material and machinery supply and the power projects. Participant 17 gave comments on linkage among different businesses:

Although we have supplied goods not only to power plants, our business has been influenced by the development pace of the power sector a great deal. When no power project has achieved financing, as in the present time, our construction works are minimal. When the construction is not active, we cannot supply more goods. We have the same goal as those developing power projects. We are a for-

profit undertaking; we want profit from our capital investment. From the profits we have made, we are able to fulfil our commitments such as paying taxes, bearing administrative expense and amortization earmarks. We cannot continue our business when we see that our incomes are below the capital expenditures.

Bankability of the proposed power projects is the key factor for developing new power plants in the Champassak Province. Investors must prove that the economics of their proposed projects are attractive to the lending banks if they want finance. However, many proposed power projects tend to yield negative incomes when such incomes are quantified in the net present value (NPV) terms. The financial shortfall has resulted from high capital expenditures, which are made of high and onerous taxes payable by the project licensees. Participant 9 posited that what developing power companies now encounter in the Champassak Province are tax burdens, which have been heavily imposed on both the borrowers and lenders. As such, “an acceptable DSCR for the lending bank cannot be predicted. Participant 10 stated “unfavorable financial conditions have made many private investors unable to raise debt financing from commercial banks”. Consequently, projects as having been processed by the Champassak Province did not achieve financing. When few power projects achieved financing, civil construction and supply of equipment and machinery were adversely affected. Hence, financing is the key player of the power project development in the Champassak Province. Participant 20 pointed out “Organizations can exist and die out as the environment varies. Survival of an organization may depend upon that of the others”. Therefore, failure to raising financing of companies investing in several power projects did not only influence other business, but also negatively impacted on the electric power generation in the Province.

When implementing the three-dimensional organization change Champassak set two concurrent goals for expanding electrification and maximizing revenue incomes that should have been achieved during the same time. Participant 3 argued “Champassak government has been devolved with power to collect tax, but not the power to create tax policy to suit the province’s choice. We performed our fiscal functions according to what we have been instructed to do”. As circumstances have changed, the two goals which are set above may not always go together without considering locally specific environments. Static development of the power projects in Champassak was certainly caused by failure of the private parties to raise financing. Government fiscal policy and law are the main factors to either support or make obstacles for private financing of the power projects.

### **Divergent Views**

While the Champassak Province is an information-rich research site, the participants also provided both convergent and divergent views on the different issues about which they were interviewed. Divergent views included a different understanding on the issues of financing in power generation projects.

Participant 12 believed that the Lao government could develop electricity-generating projects using its own financial sources without participation of the other parties:

The government alone may deliver sufficient electricity in the country if they want to do so. However, I see that many places in remote areas are still in the dark. Because the Lao government does not want to pursue every developmental activity, they involve other parties in developing electricity sources in the Champassak Province.

Participant 6 explained that sufficient electricity can be provided by governmental agencies provided that the government has constructed a number of the power plants in the area where electricity is needed. Participant 6 stated:

The government alone can provide sufficient electricity in the country if more power plants are constructed. Private companies can also provide additional electricity if they have sufficient budgets to construct power generation sources.

At the beginning of the interview Participant 8 agreed that organizations had to change, particularly in the fiscal policy, in order for the government to attract diverse participation in developing its power sector. However, a suggestion was made for the government to provide sufficient budget for developing the new power plants in Champassak area. Participant 8 stated:

Alternatively, the government need not undertake any organization change; the government just provides my company with sufficient funds to develop as many as power plants as possible. Then, all parts of the Champassak Province will be electrified.

Despite divergence and unclear views, the vast majority of opinions proving linkage between organization change and the rural electrification in the Champassak Province remain mainstreamed. Organizations including governmental agencies, private entities, and non-government organizations were established. More and more households have had access to grid electricity over the past twenty years as a result of change taking place in Champassak. Having consolidated information from all sources, I addressed my research questions with study findings.



## **Findings**

Upon the qualitative data analysis in this study, I arrived at five themes as showed in Table 11. The central research question was addressed by two themes, and each of the three sub-research question was addressed by one theme. My research findings are below:

1. Organizations of all types changed through various public-sector reform programs for the purpose of developing new power generation projects
2. The three-dimensional organization change, as have been translated into deregulation, decentralization, and devolution, helped relevant organizations to attract private investment in power projects for the electricity supply in the country
3. While privately invested projects as the outcomes of organization change were providing electricity in Champassak, shortcomings of the change in one or another dimension occurred.
4. Private organizations will continue providing electricity for people in the rural area, if change in governmental organization supports them consistently.

### **Finding 1**

In responding to the first finding, participants represented the purposively selected organizations were positive about change. They all confirmed their respective organizations were involved in the public-sector reform programs, which had been undertaken in various dimensions. Some participants named dimensions of the reform differently, for instance 3-D (dimension) change, three-staged change. However, the reform meant revolutionary and evolutionary change.

**Finding 2**

The second finding came from views of all participants I interviewed that private investment in the power generation projects as developed in other parts of the country including the Champassak Province have provided electricity for the rural electrification. The vast majority of the interviewed participants acknowledged participation of their respective organizations in the process of organization change relative to the rural electrification. Thanks to change as having been translated into deregulation, decentralization, and devolution the electrification ratio steadily increased.

**Finding 3**

The third finding revealed that electricity was substantially supplied from privately invested power plants which were constructed as a result of three dimensional organization change. Nevertheless two shortcomings resulting from organizational change in the Champassak Province were discovered. The vast majority of the participants saw that organization change brought diverse participation into the country. Nonetheless, many participants I interviewed also considered organization change incomplete due to the absence of financing parties. Moreover, responses to the interview questions revealed that electricity was imported from large-scale projects located the nearby provinces to electrify the Champassak Province. Both the incomplete change and relying on change as having been practiced in the large-scale projects were unlikely to achieve desired outcomes of the electrification expansion in the Champassak Province.

**Finding 4**

The last finding was consolidated from responses, which supported that electricity could be generated by multi-setting environment. If financing parties fully participate in developing power projects in Champassak as they did in large scale projects, privately invested power plants will provide electricity. Given the current financing environment, the need for diverse participation of all private business including financing parties in the electricity generation will continue until full electrification has been realized in Champassak.

A review of documents sourced from various governmental agencies was found supportive to the information, which was consolidated from the interviewed. For instance, the process and contents of amended laws demonstrated top-down organizational change in regard to policy change. The minutes of the meeting also supported views of the interviewed participants on licensing procedures. Documents as provided by relevant governmental agencies triangulated descriptive articulation in supporting electrification ratio. Lastly, the number of newly established companies registered business related to the electricity generation and electrification in the Champassak Province validly supported diversity in organizations being involved in electricity-related business. The diversity resulted from the three-dimensional organization change as have been launched in the Champassak Province over the past decades.

**Reliability and Trustworthiness**

Having conducted the qualitative study through case study enquiry, I am confident that my research instruments are reliable and my data analysis is trustworthy.

The Champassak Province is the case study site where organizational change in all three selected dimensions was introduced. The province is currently implementing the rural electrification program, whereby electricity supply is made by the private generators. All participants agreeing to participate in my study have been working in organizations relating to organizational change and the rural electrification program. Interview questions as so designed made the interviewees provide firsthand information relevant to the themes, whereby I answered the research questions thoroughly. In answering the research questions, I addressed the research problems completely. I therefore confirm that my research design, data collection enquiry, and research questions as the instruments used in the study are all reliable.

Existing data came from diverse sources. Some data was also collected from participants working outside the case study site. Although the data was collected from sources inside and outside the study site, they helped me to undertake a consistent analysis. In triangulating the data analysis, I derived consolidated answers although the same themes were established in different documents. Information received from various participants I interviewed helped answer all the research questions. Interviewing all participants with the same set of interview questions yielded substantially convergent answers. The existing data I gathered also supported the information I collected from the interviews. As such, findings I uncovered from the study are valid.

### **Summary**

The Champassak Province has embraced organizational change in all three dimensions, which include deregulation, decentralization, and devolution. Given the unitary status of the Lao governance, the Champassak authorities serve as a subordinate

government branch being delegated power of the executive and judicial branches. Policy and law-making power remains vested by the National Assembly exercising the legislative power only at the central government level. Existing literature established that each of the deregulation, decentralization, and devolution has been practiced separately and sporadically in several sectors by many governmental organizations around the world. Thus, this study looked at the impact of organization change in three dimensions on the rural electrification which is within the power sector alone.

Taking case study enquiry, I collected qualitative data from the case study site. The qualitative data I collected was obtained mainly from interviews with purposively-selected participants. Additional data gathered from documents and observation were used for the purpose of triangulation. In analyzing the data as collected, I used hand coding in combination with Microsoft Word to help find key words labeled as codes in the database. After the codes were aggregated, themes emerged. The themes as emerged related to the research questions. Having carried out an in-depth data analysis, four findings were established at the end of this Chapter 4. Data analysis interpretation and conclusion of the study is provided in Chapter 5, which is the last part of this dissertation.

## Chapter 5: Discussions, Conclusions, and Recommendations

### **Introduction**

The purpose of this qualitative study was to explore the impact of organization change in three selected dimensions: deregulation, decentralization, and devolution on electrification in the rural area of the Champassak Province. Change policy and actions of the organizations were the focus of this study, whereby I examined the connection between organizational change and the rural electrification program implemented in the Champassak Province. Organization change in the three selected dimensions taking place in the Lao power sector was purposeful. The aim of organizational change was to encourage diverse participation, including organizations other than governmental agencies, in developing new sources of electricity to meet the increasing demand in the province. I found that organization change has resulted from leadership-followership interactions, which were initiated in different meetings taking place at the national level more than 20 years ago. Changes started with policy formulation in respect to adopting several new laws and then followed by restructuring organizations and responsibility allocation among organizations.

Deregulation, decentralization, and devolution were introduced in the United Kingdom and other parts of the world decades ago. Organization change in each different dimension has taken place in a separate sector and different timeframe in many countries around the world. Hence, I examined organizational change in all three dimensions in the Lao power sector that happened during the same timeframe. No previous scholar examined the outcomes of organization change in relation to the

implementation of the rural electrification undertaken in Laos. I, therefore, formulated this qualitative study on the basis of the research problems as found in a literature gap and the real-life organizational change in the Champassak Province in Southern Laos. Having carried out a qualitative case study through interviewing 20 people who represented diverse organizations involved in electricity-related issues, I received information-rich views on the issues being researched. Having analyzed the data collected, I came to the key findings as the following:

1. Organizations of all types changed through various public-sector reform programs for the purpose of developing new power generation projects.
2. The three-dimensional organization change (as have been translated into deregulation, decentralization, and devolution) helped relevant organizations to attract private investment in power projects for the electricity supply in the country.
3. Although privately invested projects as the outcomes of organization change were providing electricity in Champassak, shortcomings of the change in one dimension or another occurred.
4. Private organizations will continue to provide electricity for people in the rural area, if change in governmental organization supports them consistently.

An interpretation of the findings is articulated in accordance to the themes resulting from the data analysis as elaborated in Chapter 5.

### **Interpretation of the Findings**

The Laos government has adopted several pertinent laws to form a basis for establishing new governmental organizations and creating private entities in the country. In addition, the newly established organizations brought a new working culture to public-private relationships. Later in the process, organization change in all three dimensions was expanded to local governments. The research questions below guided me to collect information for the data analysis:

Central Question: How effectively has the Laos government applied the three-dimensionally organizational change to the power sector in order to leverage private participation in developing power projects in the provincial area?

Subquestion 1: Why does organizational change (i.e., deregulation, decentralization, and devolution as implemented in the public power sector) induce a consequential change in the sectors other than the government in the Champassak Province?

Subquestion 2: How effectively do the outcomes of the three-dimensionally organizational change respond to the requirements of private finance in developing new electric power projects located in the Champassak Province?

Subquestion 3: Why do privately-invested power projects support the rural electrification program in the Champassak Province?

I analyzed the views of the 20 participants I interviewed using a code system and theme emergence. The themes that emerged were consolidated from the participants' responses to the interview questions. The themes are relevant to the research questions on organizational change and its impact on electrification in the Champassak Province.



Participant' knowledge and their representation of their respective organizations contributed to this study's findings.

### **Public Sector Reform**

Organizations keep changing and adapting to their surrounding environment. The public-sector reform programs, as initiated by the Laos government, during the past decades resulted in change in organization. Government members in Laos had discussed the change in order to frame change direction. In 1986, the second legislature adopted New Economic Mechanism, which was a catalyst for change (Committee for Planning and Investment, 1985). Change took place in governmental organizations before spreading to the private sector and the third sector. Change in governmental organizations influenced other types of organizations operating in the same legal and administrative environment. Although the Champassak Province had undertaken the public-sector reform programs, all types of organizations changed both their structure and working culture. As the change was carried out systematically in Champassak, organizations adjusted their ways of operation to the operating environment. All of the participants I interviewed confirmed that their organizations joined the public sector reform programs in various stages. I found that the openness policy, as adopted by the government, brought about diverse participation into the power sector successfully. Financing and technology needed for achieving organization vision were the key factors for the government organizations in Laos to undertake the reform programs. In Champassak, many governmental agencies were restructured. Furthermore, several types of organizations, as shown in Table 12, existed. Organizations including public agencies, private entities, and nongovernmental organizations have changed. Change had been

induced by the surrounding environment that penetrated in organizations (Burke, 2011). Changes resulting from the public sector reform programs are consistent with the literature as reviewed in Chapter 2. At the beginning of the change process, members of the government organizations in Laos set an electricity-related goal to attain within a certain time. Change was purposeful for attracting diverse participation in the electric power generation. Burke (2011) stated, “for survival, an organization takes in energy from its environment. Energy is broadly defined and may include money, raw materials, or the work of people” (p. 56). Electrification across the country was prioritized in the second 5-Year Socio-Economic Development Plan (Committee for Planning and Investment, 1985). Analyzing the public sector reform programs and their objectives set by organizations in Laos helped me to address the central research question of this study.

### **Dimensions of Organizational Change**

According to a theory of organizational change as developed by Burke (2011), change can be classified in numerous types, such as revolutionary versus evolutionary, transformational versus transactional, and total system versus local option.

Organizational change taking place in Laos did not focus on one particular type. The following dimensions combine several types of organization change, as theorized in Burke (2011).

**Deregulation.** By no means does de-regulation mean no regulation at all. Instead, governmental agencies no longer monopolize doing things or performing activities. In Laos, the electric power sector, which used to be developed solely by governmental organizations, was opened to organizations of other types. After the introduction of NEM, private companies and the third sector, including nongovernmental organizations

and networks, were encouraged to participate in different methods of electricity generation and distribution. According to Pheko (2013), Picciotto (2011), and Garcia and Anson (2012), deregulation is concerned with all forms of privatization, whereby governmental organizations do not monopolize state activities. In the Champassak Province, where the case study of this research took place, private participation was found in different forms ranging from new investment in power projects, to contracting out parts of the works as undertaken by public organizations, and to buying public assets, both tangible and intangible. Deregulation as practiced in Champassak conforms to the notion of privatization, which was developed by Carter (2013) and Luqmani and Quraeshi (2011). Government agencies remain as organizations enforcing laws and regulations on the organizations that operate in Champassak jurisdiction. Since the Champassak Province embraced three-dimensional organization change, several private power companies and nongovernmental organizations have also undertaken different businesses in the provincial territory. Many private power companies registered their entities with either the central government or Champassak authorities, depending upon the size of the projects by megawatts they proposed to develop. Several private investors established new power companies in the Champassak Province in searching for financing of the power projects in order to supply electricity to the local demand. Private companies have been involved in different activities including construction; equipment; and service related to financing, engineering, and legal service. Although some private companies invested as shareholders, several others worked on the provision of security and financing. Nongovernmental organizations have also been invited to take part in consultation on project design and environmentally mitigating decisions. Some nonprofit

organizations have been involved in social work projects, such as surveying health conditions of project-affected people prior to and after the construction. Having enjoyed diverse participation, the Champassak Province achieved deregulation in its power sector.

**Decentralization.** After the first Electricity Law was adopted in 1997, several functions that used to be performed by the governmental agencies at the central level were delegated down to the Champassak Province. The Electricity Law gave the power to relevant Champassak agencies to approve new power projects with installed capacity of up to five megawatts. The Electricity Law was later amended in 2011, and authorization of power projects by the provincial governments was increased to 15 megawatts. Related to project approval are other responsibilities assumed by the Champassak authorities. Relevant governmental agencies performed works including company registration, endorsement of environment mitigation plans, approval of technical design, and licensing. The provincial agencies have also monitored project activities during construction and operation in order to ensure that projects have complied with applicable laws and regulations. Hence, decentralization was understood as allocating functions, licensing private companies, and permitting organizations other than the governmental agencies to do works as used to be centralized. Shair-Rosenfield et al. (2014), Gomez-Reino et al. (2011), and Feng et al. (2013) claimed that decentralization reshaped relationships among organizations of all types including government agencies, private entities, and nongovernmental organizations. Practice of power allocation between the central government and its lower tier, and between governmental agencies and the private organizations, conforms to the theory of organization change.

**Devolution.** In addition to power transferring, tax collection power has been devolved to the Champassak Province since 2010. The Provincial Taxing Agency has collected taxes from power companies and their associated parties. Investors, contractors, suppliers, financiers, and related parties involved in developing electric power projects are subject to paying taxes and government imposts to tax collecting agencies in the Champassak Province. Law and Mooney, (2012); Porter and Sheely (2012), Jones and Steward, (2012), Simon, (2006), and Sosin (2012) related power allocation between different layers of the government to its power to tax organizations and individuals. The Champassak government has gradually built up its own revenue collection and public expenditures. Devolution as theorized by the afore-mentioned scholars was, therefore, realized by the Champassak government when transferring of both functions and taxing power took place in the Champassak Province. Organization change in all three selected dimensions has been implemented in the Champassak Province since 2010. The provincial authorities have also exercised the rights to collect taxes. However, the central government still maintains its power to make law and policy, which overarches the development of the power sector in the whole country, including the Champassak Province.

The public-sector reform programs implemented in the Champassak Province as embedded with deregulation, decentralization, and devolution gave rise to transferring both functions and power from the center to the lower layer within the same governance. Burke (2011) theorized evolutionary or continuous organizational change as the process of improvement measures in how a service was delivered, or how quality of work was upgraded. The organization change theory reflects power allocation as practiced in

Champassak. All 18 participants I interviewed in Champassak informed me that their organizations perform functions that used to be kept within the central government. The majority of the participants I interviewed, 14 from Champassak and two from the central government, distinguished three-staged reforms as embraced by their organizations that are consistent with three-dimensional organization change. As such, the reform programs in Champassak as translated into the three above selected dimensions of organizational change are in agreement with an answer to Subquestion 1 of this study.

### **Impact of Organization Change**

In addressing how the outcomes of the three-dimensional organizational change responded to the requirements of private finance in developing new electric power projects located in the Champassak Province, I discovered both positive and negative impacts of organization change. Although a positive impact resulted in a favorable environment for expanding electricity generation sources, the negative impact led to shortcomings in the organization change process. Unexpected outcomes occurred after organization change took place. Burke (2011) stated, “the most important ingredient in sustaining organization change is the process of dealing with unanticipated, unforeseen consequences of initiatives and interventions” (p. 300). Hence, the findings for private involvement in developing new power generation sources derived from the outcomes of organization change, which is reflected in both electrification and shortcomings in the change process itself.

**Realization of rural electrification.** Diverse participation in the power business has been brought into the country because of three-dimensional organization change as embedded in various public-sector reform programs. New types of organizations brought

finance, technology, and other supportive contributions to developing power projects. As a result, newly constructed power plants have supplied the electricity to different parts of the country, including the Champassak Province. Electrification was realized by the supply of electricity made by the large-scale power plants. After private organizations were granted concessions in the power generation projects in the country, electricity consumption steadily increased in Champassak. The increase of consumption resulted from the availability of the new source of supply that was mostly provided by private generating companies located in Champassak and nearby provinces. According to Champassak-DEM (2016), before 1986, fewer than 10 out of 100 families in Champassak territory used electricity. In 2000, 70 of the 100 families in the province had access to grid electricity. Later, in 2010, this number increased to almost 90. By the first half of 2016, around 96 of 100 families on average had access to grid electricity. All of the participants I interviewed acknowledged that electricity in Champassak has been increasingly provided by nongovernment sources. Eight out of the total participants gave a precise rate of electrification that was achieved in Champassak by the first half of 2016. In the process, the Champassak government undertook organizational change in several dimensions with the aims of achieving the organizations' vision. Burke (2011) stated, "change in mission and strategy means that the organization's culture must be modified if the success of the overall change effort is to be realized" (p. 24). The organizational change in Champassak yielded positive outcomes that can be generalized to the theory of organization change as developed by Burke. Organizational changes are carried out in the three dimensions that resulted in increasing electricity supply in the rural area in Champassak. Hence, Champassak government has changed for the betterment, which is

positive change. Successful financing was the key factor for private organizations to build new power plants to generate sufficient electricity in Champassak. Raising funds from private commercial banks depends upon the extent to which organization change is to be tailored consistently. The finding received from analysis how the outcomes of organization change effectively responded requirements of the private finance indicates interplay between change happening to governmental agencies and private organizations. Burke (2011) pointed out “all organizational parts are interrelated and changing one will eventually have consequences for all other parts of the system” (p. 307). I found that successful factors for achieving project financing were the financial criteria including NPV, EIRR, and DSCR. Private investors require that projects must yield a Net Present Value (NPV) of their aggregated revenue incomes higher than zero, or Equity Internal Rate of Return (EIRR) is higher than the interest borrowing rate before they make a decision to invest in the project. Similarly, commercial lending banks require that investors must prove achievement of a satisfactory Debt Service Coverage Ratio (DSCR) before loans are considered for the projects. Change in fiscal policy as imposed by the regulatory body influenced private financial criteria (Perkins, 1994; Mishan & Quah, 2007). Among the 20 interviewed participants, 11 gave a notion of equitable profit sharing, whereby both the public sector and private undertakings gain from their respective decision. In addition, seven participants represented organizations dealing in financing clearly supported that private parties should have achieved satisfactory financial criteria such as EIRR and DSCR before they made decision on investment.

**Shortcomings in organization change.** While the finding of this study is derived from consequences of dimensional organizational change indicates that outcomes of



organization change in the same aspects are supportive to private finance for the large scale power plants, but not for small scale ones. As the Champassak Province has imported substantial part of electricity from its neighbors, any increase in demand in the nearby provinces would decrease the supply to Champassak. Furthermore, after the Champassak Province was mandated to develop new small-scale power projects for its self-sufficiency, growth of the electrification has been static. Static growth of the electrification was due to the lack of the additional sources of supply from the sources that should have been provided locally. Electrification faded away since Champassak government started practicing self-sufficient supply. A negative effect of organization change on electrification in Champassak simulated a paradox of organization change theorists. Burke (2011) emphasized “for positive organization change to occur, both positive and negative interventions are important” (p. 309). Following organization change only one out of the 25 new power projects achieved operation in Champassak recently. Consequently, the electrification program has not moved forward satisfactorily. Slowing pace has resulted from shortcomings in organization change that were discovered in this study as follows:

First, although many private companies and their associated parties have shown their active involvement in developing small scale power plants, financing parties were reluctant to participate. Reluctance of these parties resulted from organization change in certain dimensions that did not support private undertaking. Likewise, dynamic change has given rise to the introduction of new statute laws and amendments of the existing laws that created tax burdens rather than providing financial incentives for businesses. An outcome of privatization may be enhanced by applying tax stimulus to leverage

commercial decision making (Mikesell, 2011). In the context of developing electricity sources in the Champassak Province, financing is the decisive factor to make power projects happen by taking into account the current legal financial environment. The element of organization change on the part of government agencies is fiscal policy, which adversely affected the revenue incomes of the investing companies. Mikesell (2011) suggested “to design tax structures and their administration so that they are not needlessly harmful to the economy” (p. 360). The revenue incomes indicated a capability of the investing companies to repay debts to their lenders as scheduled. Financially, when government taxes are high and onerous, developing power companies tend to incur high capital expenditures, including financing costs and insurance fees. As a result, commercial lenders foresee that their potential clients may not have sufficient cash flow to service debts. Higher capital expenditures also resulted in lower investment return for the investing companies. Many proposed small scheme projects were not financeable due to unsound economics, which resulted from the enforcement of convoluted laws. When investing companies failed to raise sufficient financing they were unable to construct new power projects to generate electricity. When no additional sources of supply were secured, the demands for electricity for realizing the rural electrification program were not met.

Second, shortcomings of organization change in the Champassak Province have been a result of its generalization for developing both large and small scale power projects. Small-scale projects provide EIRR for investors and DSCR for commercial lenders lower than those of the large-scale power plants even though they are operated in the same time frame. Financial criteria in private business must be measurable and

predictable before investors make their decision (Perkins, 1994; Mishan & Quah, 2007).

One must understand that large-scale hydropower projects can store water for generating electricity all year round, whereas the small-scale projects have less or many projects with no reservoir capacity. The large-scale projects provide a firm supply of electricity that in turn qualifies for higher tariff per kilowatt-hour, whereas the small-scale projects generate non-firm electricity, the tariff per kilowatt-hour of which is much lower.

Differentiation of both generation quantity and price per kilowatt-hour made a capital-income ratio of both categorized power projects differ from each other. As such, smaller hydropower projects tend to yield EIRR and DSCR lower than those of the larger ones.

When investors and financiers see that their respective financial criteria are lower than an investible level the power projects are considered financially infeasible.

### **Organizational Change to Continue**

In terms of why privately-invested power projects support the rural electrification program in the Champassak Province, the finding reflects that financing is the key factor for developing the projects. By implementing the public-sector reform programs, the Lao government managed to attract private investment in several large-scale power projects throughout the country including the Champassak Province. I found that electrification expansion in Champassak territory steadily increased by the electricity supply, a substantial part of which came from large-scale hydropower projects. The Lao government succeeded in developing large-scale power projects because pertinent laws and regulations at the time provided favorable financial incentives for the private parties. According to Mikesell (2011), a tax structure changes the way businesses react, “often with considerable consequence to economic activity from those distortions” (p. 360).

Small power projects will significantly contribute to electrification in the rural area in Champassak, if they are developed properly with adequate financial privileges. Financing of the small-scale power projects will be successful only when decision criteria are acceptable to the investors and lenders respectively. Government fiscal policy is, therefore, a public adjustment mechanism in rebalancing financial benefits of the parties involved. As such, small projects need to be treated with financial incentives and supportive measures different from those large-scale ones. To this end, private organizations can leverage finance only when the public agencies provide supportive measures, including dynamic and consistent change that help businesses operate prosperously. Burke (2011) pointed out that when organization members do not achieve outcomes of change as expected, new initiatives will be launched to spark new ways of thinking. The last finding of this study reveals that organizations in Champassak will keep on changing until its electrification vision has been met.

### **Limitations**

Three-dimensional organization change in the context of expanding rural electrification in the provincial areas of Laos has created environmental change for organizations of other types. Changes in statute laws formed the basis to change organizational structures. The Lao government launched various public-sector programs consisting of organizational change in order to encourage the private sector domiciled inside the country and in international jurisdictions to participate in power generation in the country. Decision by the private organizations including investors, contractors, suppliers and lenders on whether or not to participate depended on the current legal and financial environment. Also, the complete rural electrification for the whole country was

set to be realized by 2025 as envisaged in the 8th 5 Year Socio-economic Development Plan. As such, the results of this study apply only to the current legal system and goals as so specifically set for the specified timeframe. Likewise, the study findings may limit their generalization only to some other provinces in Laos that have similar power-connecting systems.

### **Recommendations**

I appreciate that the Lao government has undertaken the public-sector reform programs for realizing rural electrification. The reform programs were translated into organizational change in various dimensions including deregulation, decentralization, and devolution. The three dimensional organization change brought diverse organizations to partake in the rural electrification, which was implemented within power sector. While the three dimensional organization change was significantly moving in the right direction, shortcomings occurred during the process of developing electricity sources in the Champassak Province. I would like to recommend the Champassak government to initiate solving the shortcomings in organizational change within a timely manner. A current fiscal policy and its pertinent statute laws are the main contributors to the shortcomings in organizational change as embedded in the public reform programs. Further change for complete diverse participation in developing new power plants in the Champassak area should start from amending the existing laws. In keeping the law-making powers with the legislative body having its seat at the central level as stated in the constitution, the legislative body should continue improving the fiscal policy and pertinent laws that govern project financing for the projects located in provincial areas. With regards to the process of diverse participation, local and private stakeholders should

be invited to participate in making consistent laws and policy. Although the Champassak Province will continue to enforce whatever laws and regulations as adopted by the National Assembly, legislators should consult fully on draft laws with the local stakeholders, including both provincial and private organizations, and civil society, in order to make the laws suit the local context. As the requirements of financial institutions and related parties keep varying dynamically, the legislative body should regularly review compliance and consistency of its existing laws in order to make public adjustments from time to time. The Champassak provincial government should also actively contribute its experience to finalizing draft laws which may be put forward by the legislators. The provincial government should understand its local context before initiating amendments of pertinent statute laws that may be raised by the legislative body. Feedback on a local context is valuable and it is to be incorporated into the draft laws during the consultation process. Finally, amending existing laws and improving policy is to be understood by all parties that amendment and improvement of laws are the continuous organizational change to be embraced by Champassak government.

In order for private companies to successfully raise financing from the commercial lenders, each party needs to align the requirements of its respective organization to be consistently acceptable to those of the other parties. When power projects located in the Champassak Province territory successfully achieve financial support and produce electricity sufficiently to meet the demand, the rural electrification will be realized as envisioned by the province. Three-dimensional organization change as embraced by the Champassak Province, therefore, needs to go further until a mission of the organizations has been accomplished. Organization change is a dynamic process and

depends on the surrounding environment (Burke, 2011). Change in the Champassak Province is, therefore, ongoing and evolving.

### **Social Change Implication**

The Champassak Province was chosen as the case study for organization change relative to the rural electrification. The shortcomings of three-dimensional organization change as found in the Champassak Province may be generic for other provinces in an attempt to realize rural electrification in their respective areas. Lao legislators as well as policy makers would greatly benefit from the findings of this study. Diverse participation is not necessary only in the law implementation by organizations of different types, but also in the process of law making. A local context is core component during the course of consultation on draft laws. The study results demonstrate deficiency in organizational change as have been carried out over the past decades. Hence my recommendations would to make valuable inputs for the legislators and policy makers to fix the problems. A successful reform program in the power sector as established in the Champassak Province would be echoed to peer programs in other provinces. Effective organization change in the power sector would be replicated in the sectors other than electricity generation in the country. Power-lighted dwellings will be enjoyed by all Lao people living both in the urban and rural areas. Likewise, electricity-powered production means will induce development of the sectors other than the generation of electricity. If the other sectors in the province emerge, more goods will be produced, more services will be provided, and more jobs will be created. Ultimately, the province will attain higher revenue incomes through tax collection that would in turn be redistributed to the well-being of all people including members of organizations as well as individuals.

### **Discussion for Future Research**

This study assumed that end-consumers in the Champassak Province would consume all available electricity as provided to them. Organization change in the three selected dimensions has resulted in gradually realizing electrification in the Champassak Province. This study limits its scope to a certain time horizon. All households across the country are expected to have access to grid electricity by 2025 as long as organization change continues supporting diverse participation in the power sector. Champassak is closer to approaching full electrification than some other provinces. If the Champassak government continues changing consistently, full electrification may come sooner than 2025. In this study the outcomes are sufficiently satisfactory when the number of households in the province having access to grid electricity steadily increases. However, I did not examine the average rate of per capita consumption of electricity in terms of kilowatt-hour in the Champassak Province. A higher rate of electricity consumption may have been found in some other countries in the Association of Southeast Asia Nations (ASEAN) and other developed nations in the world, the economic development of which is more advanced than that of Laos. The more the countries are developed, the higher the per capita consumption of electricity may be attained. As the average rate of the per capita consumption of electricity may correlate with the level of wealth of the population in a country, a low rate of per capita consumption of electricity may not be a satisfactory indicator of change for the betterment. The higher the average rate of per capita consumption of electricity, the higher the standard of living of the population would be.

A further research would provide complete recommendations for the policymakers to design relevant organizational change to be aimed at increasing the



average rate of per capita consumption of electricity in Champassak or the other provinces of Laos that are now almost fully electrified. With the foregoing stipulated goals within a certain timeframe, a future researcher may undertake an expanded study of either the same or different sites. Ultimately in designing to expand this study, the researcher would be able to find out researchable problems.

### **Conclusion**

The study found that organizational change in all three selected dimensions as embedded in various sector reform programs has had positive impact on the rural electrification program currently being implemented in the Champassak Province. Both revolutionary and evolutionary organization has brought diverse organizations to partake in the developing new power plants throughout the country, including Champassak. Several hydropower plants as owned and operated by the private sector in Southern Laos have supplied electricity to the load demand center in the Champassak territory. Households have access to grid electricity. Electrification ratio of the households in the Champassak Province has steadily increased from below 10% prior to 1990 to 96% by the first half of 2016. However, after the organization change was implemented in all three dimensions in the Champassak Province, many private companies could not raise financing from commercial banks. Failure of financing has made power generation static and consequently led to stagnation of the rural electrification program in the province. Failure of the private companies in mobilizing funds has resulted from generalization of the fiscal policy as used to be successfully applied to the large-scale power projects. Additionally, dynamic change in statute laws and policy gave rise to adopting new laws and amending the existing laws that do not support project financing in the provincial

context. To resolve shortcomings in organization change as embedded in the public-sector reform programs, the Lao government needs further policy reforms to attract a more complete diverse participation.

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## **Appendix A: Interview Questions**

### **Central Question**

How effectively has the Lao government applied the three-dimensionally organizational change to the power sector in order to leverage private participation in developing power projects in the provincial area?

IQ1: Please tell me about your organization type. Is it a public or private organization, or something in between? How hierarchically structured is your organization? What is your organization's mandate?

IQ2: How did your organization change after the 'New Economic Mechanism' took place? How was your organization involved in any public-sector reform programs related to the country's electrification program?

IQ3: How did your organization directly or indirectly partake in the reform process such as deregulation, decentralization, and devolution (or collectively referred to as three-dimensional organization change)?

IQ4: How do you relate long-term objectives of your organization to the rural electrification program being currently implemented?

### **Sub-question 1**

Why does organizational change i.e. deregulation, decentralization, and devolution as implemented in the public power sector induce a consequential change in the sectors other than the government in Champassak Province?

IQ5: How often has your organization changed its structure, mission and culture related to the expansion of electricity generation during the past years?

IQ6: Who are the stakeholders of your organization's mission?

IQ7: What are the power and responsibilities of your organization as so established or changed following the three-dimensional organization change?

**Sub-question 2**

How effectively do the outcomes of the three-dimensionally organizational change respond to the requirements of private finance in developing new electric power projects located in Champassak Province?

IQ8: Why did you support diverse participation in the development of electric power projects in Laos?

IQ9: What support do you think is attractive to the private party in investing in power projects in Champassak Province? What requirements does the private investment need in financing power projects in the province like Champassak?

IQ10: How do you relate organization change to private participation in the Lao power sector development, speaking from your experience?

**Sub-question 3**

Why do privately-invested power projects support the rural electrification program in Champassak Province?

IQ11: Tell me your views on whether sufficient electricity in Laos can be provided solely by governmental agencies or private entities; or can the electrification be contributed by a multi-stakeholder setting?

IQ12: How do you relate the size of private investment to the demand for electricity in the rural areas?

IQ13: What kind of institutional arrangement and fiscal policy or organization change does your organization want to enjoy in order to bring in financing, technology and resources for expanding the electricity generation in Champassak Province?