

## **FOREWORD**

It's not the strongest of the species that survives, not the most intelligent, but the one that is most responsive to change (Charles Darwin).

What's applicable to the human species in the process of evolution also applies to organizations as they march ahead in the era of increasing competition and globalization. An organization faces several hurdles and challenges in its arena and if it does not face challenges successfully and manage change well, it flounders and is left behind. In the history of organizations, one would come across scores of such failed organizations and some of those successful organizations that have faced competition well. The erstwhile GEB had, over a period of time, served the consumers of Gujarat by achieving major milestones on Rural Electrification, putting Gujarat in the forefront of the Industrial map of the country and serving a variety of consumers to cater to their needs. However, as is the case with many Electricity Boards, the Gujarat Electricity Board also suffered on account of mounting losses, reduced employee morale, poor investment in infrastructure and stagnation in the growth of the organization.

The energy sector is India's top infrastructure priority as energy is probably the most critical resource that determines a state's socio-economic development. A state's sustainable development depends a great deal on the availability of quality power at affordable and viable cost. Gujarat, situated on the western coast of India, is one of the most industrialized and prosperous states in the Indian union. Despite having a per capita consumption of power more than twice the national average and achieving total electrification in all villages in the state and a strong transmission and distribution network, the power sector in Gujarat (and India) is similar to the conditions that prevailed in several reforming countries prior to their reforms. Electricity utilities globally were traditionally state owned, vertically integrated entities. Power sector reforms have been, in most cases, characterized by a model of restructuring of the state owned power utilities accompanied by private sector participation.

It is necessary to mention that the reforms in Gujarat's power sector, like elsewhere, were a response to the challenges, inherent problems and the environment of those times. As part of the reform process, a series of major structural changes were introduced one after the other. Changes in the organizational structure, statutory arrangements, working culture and practices, human resources policies, financial working and technological operations were introduced during the period 2002-2005 and the pace of these changes was unlike anything attempted in the past. In view of the several structural weaknesses of the GEB, and poor operational performance indicators and the challenges emanating from the statutory changes and the challenges of the economy, the major challenge before GEB was to go for major systemic changes. How to manage such cataclysmic changes was the major management challenge. All the tenets of Change Management came into play in the reform process that was unfolded in Gujarat.

GEB was a monolithic power utility owned by the Government of Gujarat. It combined in itself the monopolistic control of all the three sectors of electricity- generation, transmission and distribution. Due to the structural weaknesses, the utility was into serious financial mess, unable to enhance capacities to match the burgeoning power demand. The environment was changing with the enactment of some landmark legislations, both at the central and state Government level. Unless the public utility undertook comprehensive changes, almost resulting in a total metamorphosis, it could have sunk further. Earlier in the late eighties and early nineties, comprehensive power sector reforms were initiated in countries like the UK, USA, and in other countries in Europe, South America, and South East Asia. In India, Orissa was the first state, which went for very bold, path breaking reforms in its state utility. Soon, spurred by these initial reforms, more and more states followed. Gujarat also undertook comprehensive power sector reforms after 2001, though some initial steps towards reforms were initiated in the 1990s.

These reforms in Gujarat were undertaken by enacting an appropriate state legislation, which followed a major Central Government's legislative enactment (The Electricity Act, 2003). The GEB was unbundled into six different companies, one Generation, one Transmission, and four different Distribution utilities and these newly created companies became fully functional in 2005. The Regulatory framework, essential for deciding the commercial parameters of the Power Utilities, was also set up. A very comprehensive financial restructuring was done, which significantly changed the financial position of these companies. On the personnel side, several

initiatives were taken. All the employees of the unbundled GEB were allotted to these six companies and a detailed initiative was undertaken to introduce a very different corporate culture in these newly created companies. These efforts were no mean task, as it involved changing an entire work culture, ethos and mind set of nearly 50,000 employees. The Change Management of these momentous changes in the GEB constitutes the backbone of this study.

This study is to critically analyze and evaluate how Gujarat Electricity Board (GEB), a State Electricity Monopoly, faced challenging times and crises successfully and managed changes that came its way. Was the change management exercise of the GEB (and the Government) successful in facing the crises and transforming itself? This is the main focus of the present study.