

Identification and Ranking of Pitfalls of Privatization Using Grindel's Model in the Field of Human Resource Management of Privatized Firms and a Model Development

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ABSTRACT

Within the past few decades, traditional management approach has been changed into novel approach and privatization has become very common in public organizations. Privatization is considered as a means for balancing public and private sectors and is aimed at creating complete competition atmosphere and achieving higher economic and social efficiency. It also seeks for minimizing public activities. In the present research, we try to investigate solutions which must be considered minimize disadvantages of privatization. The present research which tries to investigate factors which affect privatization from human resource dimension makes use of Grindel's model and provides solutions for ranked pitfalls. Research methodology is descriptive and in terms of research target, it is an applied study. Data collection method was conducted via survey. It must be mentioned that privatized firms were studied in this research and ideas of managers and professionals of Organization of Privatization were used in this study. Data analysis was conducted by Dematel technique and Network Analysis approach. Research results show that general benefits and executing firm's capability are the main pitfalls of privatization. Further, absorption and employment, education and improvement are the main human resource dimensions which are more prone to harm.

KEYWORDS: diagnostics, privatization, Grindel's model, human resource management, public firm

INTRODUCTION

Over 1980s and 1990s, privatization policy was adopted as a model for becoming released of economic problems like market defects removal, economic infrastructure provision, optimal resource allocation, provision of basic products and services and achieving political and social targets all over the world. France, England and USA were the pioneers of privatization (Karimi Polanantar, 2004). In Iran, the Law of Privatization was passed in 2001 and executed and 623 public firms were privatized over 10 years in order to reduce government activities volume and switch to novel management approach (Privatization Organization, 2012). However, there were some problems with its execution. The above law made Iranian government to put article 44 of the Constitution (privatization) into action and submit public human resources, financial resources, ownership, equipment and installations to private sector so that Iranian economy would achieve predetermined targets and face minimum pitfalls (Kikeri, 2006). In the submitted firms, due to human resource excess, redundancy of excess workforce has become an important challenge ahead of firms. On the other hand, transfer of redundant employees to private sector will not allow private sector to reach its targets due to domination of public thought. This is because the redundant workforce is not familiar with the private sector culture (Mojtahed, Davoud, 2006). Therefore, human resource should be considered as the main factor decisions and its probable impacts on human resources must be considered before any transformation in organizations. The present research reviews economic experiences of different countries and investigates pitfalls of privatization from HRM aspect in public firms and provides a model for keeping and improving human resources after submission. The main question of the present research is "how can we identify and rank disadvantages of privatization and how can we present a model for elimination or minimization of these disadvantages?"

THEORETICAL LITERATURE

Definition of privatization

Privatization is a process in which tasks and facilities of public sector are submitted to the private sector. However, in real concept, it refers to spreading a culture in which all levels of a society and all government sectors (the Judiciary, the Executive and the Legislation) "believe" that "people's work" should be submitted to people" (Kay & Thompson, 2006).

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Public firms

“A public firm” is an organization which is established according to law in the form of a firm and is nationalized and submitted to the government and more than 50% of its capital belongs to government (Organization of Privatization, 2012).

Human resource management (HRM)

In the present research, by human resource management system we mean “the process of absorption and employment, training and improvement, maintenance, promotion, assignment and application of workforce in order to satisfy organizational targets (Armstrong, 2005, and Storey, 2001)”.

Theoretical fundamentals of implementation

Appropriate implementation of public policies has received a lot of attention since long ago in administration of public affairs. “Woodrow Wilson”, a famous scientist of public affairs administration, defined implementation as an equivalent of administration. He believed that implementation of public plans means administration. In fact, classic commentators of public affairs administration like Wilson differentiate between planners of policies (policy-makers) and administration (policy-doers).

Small and medium-sized industries

There is not unanimity on the definition of SME in Iran. Ministries, institutes and different organizations have provided different definitions for SME. The number of employees is a common index in the different definitions. For example, Iranian Central Bank considers industries with lower than 10 employees as small employees and considers industries with more than 10 employees as large industries. Ministry of Industry and Mining is responsible for national industries and considers industries with 6-29 employees as small industries and with 29-150 employees as medium-sized employees (Rahnama et al, 2011).

Richard Elmor (1985) considers foreign loans limitations, concentrated administrative structure and Weber Bureaucracy as barriers ahead of privatization policy-making (Elmore, 1985).

Grindel (2000) considers the followings as problems and defects concerning policy implementation in third-world countries:

a) Content factors including:

1. Whether policy benefits are public or private? 2. Behavioral change level predicted in target society, 3. Policy implementation time period, 4. Executive organizations capabilities, 5. Goals forms and transparency of goals, 6. Executives, policy

b) contextual factors :

7. environmental conditions, 8. Power of parties and political unions in favor and against the mentioned policy, 9. The type of political regime in favor and against the mentioned policy, 10. International events (Grindel, 2000).

Research theoretical framework

Every political system is surrounded by different physical, biological, social, economic, and psychological environments. A political system is made up of regulations and rules, government, parties, institutes and organizations which make up a whole and are interrelated and the system is made up of two main sectors: structure and function (Borhani, 2007). We studied different ideas of management and politics commentators and concluded that variables of Grindel's model which are effective in policy implementation are the very structure and components of human resource system are the very function (task) of the system. Structure is the constant and stable characteristic of a political and social system and function is a model for mutual relationships among two or several structures (Heady, 2002). Since function is an internal element of structure, it can be said that if function and structure of government's work and submittable firms is clear, the private sector can take a step forward and take part in economy. Therefore, the systematic model clarifies contingency model of policy-making of direct relationship in the present research with open systems model. Then, open systems model constitutes the theoretical framework of the present research.

Research conceptual model

We investigated research literature and studied viewpoints of public policy commentators and selected "Merilli Grindel" model because it is a comprehensive model and it has been successfully executed in African and third-world countries. We used ideas of Organization of Privatization experts and eliminated several variables of the primary model of the research and added several variables. Further, different ideas about different concepts of research indices were specified. Disadvantages of privatization were identified under the name of content factors which are extracted from Grindel's model:

Content factors included: "benefits of public or private policy", " capability and power of organizations which execute policy", "executers, policy-doers" and "targets forms" (Grindle, 2000). Human resource

components also included "absorption and employment", "training and improvement", "maintenance " and "assignment and application".

Research conceptual model and also research indices and variables have been summarized in figure 1.

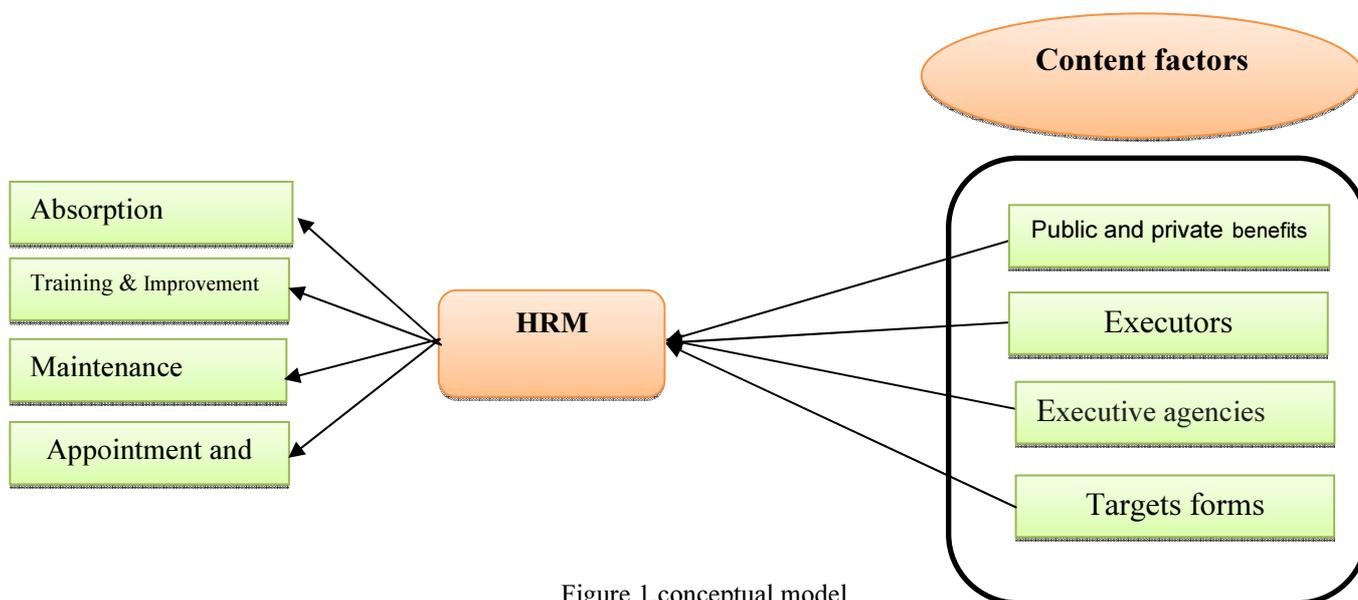


Figure 1. conceptual model

METHODOLOGY

Data were collected by distribution of questionnaire among 15 experts of Organization of Privatization and academicians. The questionnaires investigated submitted public firms. Research conceptual model was tested and factors which affect privatization in Iran were identified. Dematel's technique was used to calculate interdependence and internal relationships among criteria, sub-criteria and choices.

Dematel's technique which is a decision-making method based on paired comparisons enables a decision-maker to solve a problem graphically and in a planned manner so that related factors are classified based upon cause & effect groups and in order to understand causal relationships. The following four steps must be taken in implementation of Dematel method:

1. Calculation of average matrix, 2. Calculation of primary direct impact matrix, 3. Development of total relationships matrix, 4. Adjustment of threshold value and drawing of impact-relations map

Dematel method was used to obtain interdependence between different levels in a network structure. After determination of interdependences between criteria and feedback relations between special criteria (results of Dematel method), analytic network process (ANP) was used. In order to implement Dematel method, we designed and distributed a questionnaire for "measurement of relationships between criteria and sub-criteria affecting privatization diagnosis". Then, we used ANP model in Super decision software. ANP questionnaire is made up of three sections and is used for ranking criteria and determination of importance coefficients of criteria: weights of relative importance of principle criteria, weights of relative importance of sub-criteria and weights of relative importance of criteria and sub-criteria using interdependences (Saaty, 1996). In the present research, a primary theoretical matrix was developed based on Grindel's model and subsequent questionnaire was designed based on this matrix. After collecting data from Organization of Privatization experts and university professors, "executers and policy-doers" criterion was merged with "executing organizations" criterion and "political parties" and "governing political regime" concepts were eliminated from the model and way of implementing privatization was added to Grindel's model.

Results of research findings

Results of paired comparisons of principle criteria using Dematel technique show that "public benefits" criterion has a normal weight of 0.287 and is of top priority. "Special individual's benefits" criterion has a weight equal to 0.156 and comes second in ranking. Executing organization capability, way of execution and targets forms are placed in ranks 3 to 5. Results of paired comparisons of principle criteria in terms of weights and ranks have been presented in table 1 and figure 1, respectively.

Table 1: paired comparisons matrix for principle criteria

Principle criteria	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	Eigen vector
Public benefits	1.00	5.44	2.36	4.21	4.65	4.29	4.52	3.13	6.07	3.06	0.287
Special individuals benefit	0.18	1.00	4.03	3.76	2.43	2.68	2.74	3.11	2.31	1.78	0.156
Executing organization capability	0.23	0.37	0.37	0.36	0.58	1.00	3.24	3.41	3.34	2.31	0.077
implementation	0.21	0.40	0.40	0.36	1.00	1.71	2.13	2.97	2.05	1.28	0.073
Targets forms	0.22	0.36	0.35	0.49	0.47	0.31	1.00	4.39	1.89	3.21	0.061

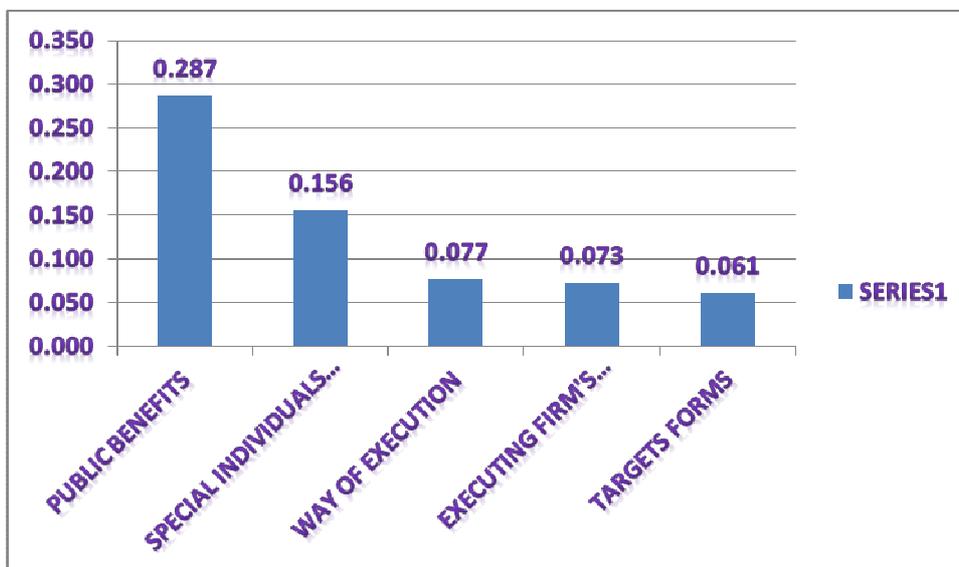


Figure 1: ranking of principle criteria based on research target

Sum of items of each row (D) indicates the impact level of the corresponding factor on other factors of the system. Therefore, it can be said that “public benefits” has the greatest impact. “capability of executing organization” and “way of execution” comes in the second rank. “special individuals’ benefits” and “targets forms” criteria came in the next ranks (figure 2). The sum of the items of column @ for each factor indicates the level it is affected by other factors of the system. In terms of the level of being affected, “way of execution” criterion has the greatest being affected. Public benefits criterion and special individuals benefits criterion have similar degree of being affected and come in the second rank. “form of targets” has also the least being affected.

-the horizontal vector (D+R) is the level of affecting and being affected of a factor in the system. In other words, as D+R value increases, the corresponding factor has higher level of interaction with other factors. In terms of the level of affecting and being affected, “public benefits”, “capability of executing organization” and “way of execution” criteria have the greatest interaction with other criteria. Special individuals benefits criterion and targets form criterion have the least interaction with other variables.

- vertical vector (D-R) indicates impact power of each factor. In general, if D-R is positive, the variable is a causal variable and if it is negative, it is an effect variable. In this model, special individuals benefits and way of execution are causal variables and “public benefits” and “way of execution” are causal variables and “public benefits”, “executing organization capability” and “target forms” are effects. Causal relationships of the principle criteria have been presented in table 2 and figure 2 and 3).

Table 2: causal relationships of principle criteria

Principle criteria	D	R	D+R	D-R
Public benefits	8.925	8.148	17.073	0.777-
Special individuals benefits	7.801	8.014	15.815	0.213
Way of execution	7.905	8.348	16.253	0.443
Executing firm's capability	8.738	7.792	16.530	0.946-
Targets forms	8.021	7.775	15.796	0.246-

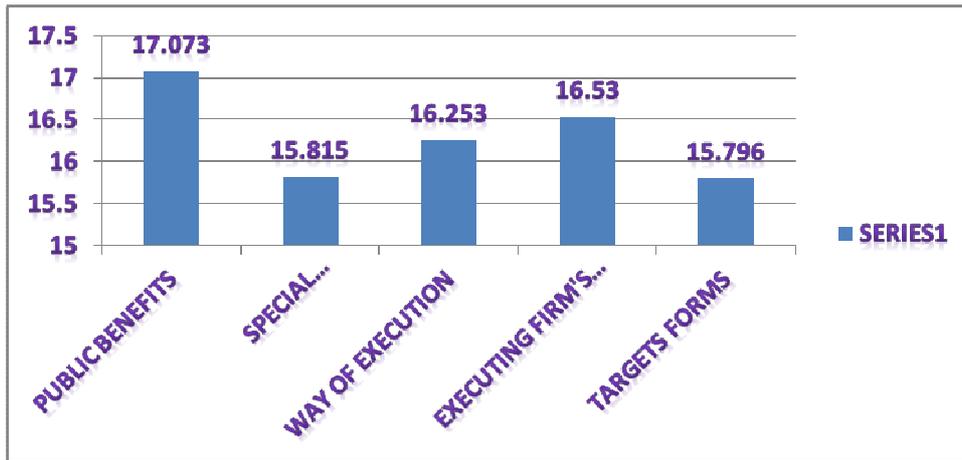


Figure2: causal relationships among principle criteria based on affecting of the factors (D+R)

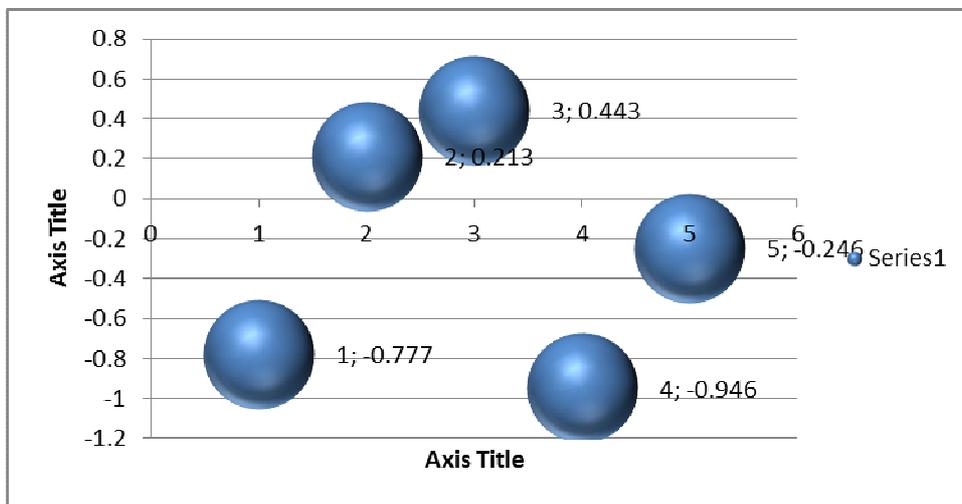


Figure3: causal relationships among principle criteria based on unaffected of the factors (D- R)

In terms of “level of affecting”, (D) the sub-criteria “absence of supervision after submission” and “inappropriate pricing” have the greatest affecting. The sub-criteria “inappropriate method of submission” and “failure to adjust firms’ structures” and “inappropriate organizational structure” have similar weights and come in the next ranks. In terms of “level of being affected” (R), the criteria “absence of independence of executing organization”, “failure to adjust organizational structure before submission” and “inappropriate organizational structure” have a high level of being affected. The sub-criteria “lack of attention to public benefits” and “absence of justice in providing information for the public” also have the least being affected from other criteria. The horizontal vector (D+R) indicates the level of affecting and being affected of a factor in the system. In terms of the “level of affecting and being affected”, the sub-criteria “lack of supervision after submission”, “inappropriate organizational structure”, “inappropriate pricing” and “absence of firms’ structural adjustment before submission” have the greatest interaction with other criteria. Dematel technique was used to indicate internal relationships between sub-criteria (17 indices). To this end, we took four steps. Causal relationships of the sub-criteria have been presented in table 3 and figure 4.

Table 3: causal relationships among sub-criteria

D-R	D+R	R	D	Sub-criteria
0.621	5.773	2.576	3.197	Absence of attention to public benefits
1.263	6.536	2.637	3.899	Absence of justice in info provision
1.017	6.963	2.973	3.990	Absence of attention to special individuals' benefits
0.450	7.122	3.336	3.786	Absence of justice in provision of info for special individuals
0.413	8.320	3.953	4.366	Absence of firms' assessment after submission
1.390	9.676	4.143	5.533	Absence of post-submission supervision
0.987	8.679	3.846	4.833	Inappropriate submission
1.235	8.899	3.832	5.067	Inappropriate pricing
0.079-	9.650	4.864	4.785	Absence of preparation and structure amendment before submission
0.581	8.413	3.916	4.497	Absence of financial and executive power
0.377	8.952	4.287	4.664	Inappropriate organizational structure
0.196-	9.360	4.778	4.582	Absence of executing firm's independence
0.274-	7.705	3.990	3.715	Absence of responsiveness of institutes
0.451	7.836	3.692	4.143	Absence of empathy and collaboration in related firms
1.202	8.401	3.599	4.802	Ambiguity in targets
0.922	8.327	3.702	4.625	Conflict in targets
0.979	6.897	2.959	3.938	Multiplicity of targets

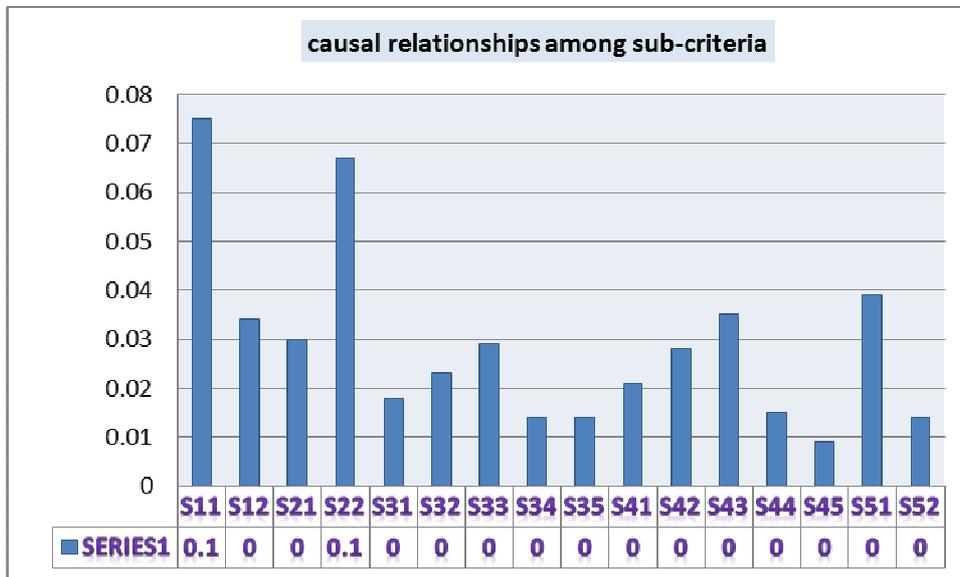


Figure 4: causal relationships among sub-criteria (D+R) using super decision software

Results of final ranking of the sub-criteria using ANP technique

Final weights of all model’s sub-criteria were calculated by means of ANP technique. Results of ANP technique for final ranking of the sub-criteria indicate that:

The sub-criterion “lack of attention to public benefits” has the greatest weight (0.748) and is the most important sub-criteria. The sub-criterion “absence of justice in informing special individuals” (weight=0.067) and “multiplicity of objectives” (0.048) come in the next ranks. The sub-criterion “ambiguity in targets” and “lack of independence of executing organization” comes in the next ranks.

Summary of the results of the weights of sub-criteria have been shown in tables 4.

Table 4: final weight of the sub-criteria based on limit super matrix

Sub-criteria	Final weight	Normal weight	rank
Absence of attention to public benefits	0.601	0.075	1
Absence of justice in info provision	0.276	0.034	6
Absence of attention to special individuals' benefits	0.244	0.030	7
Absence of justice in provision of info for special individuals	0.538	0.067	2
Absence of firms' assessment after submission	0.148	0.018	12
Absence of post-submission supervision	0.188	0.023	10
Inappropriate submission	0.236	0.029	8
Inappropriate pricing	0.113	0.014	14
Absence of preparation and structure amendment before submission	0.110	0.014	15
Absence of financial and executive power	0.172	0.021	11
Inappropriate organizational structure	0.227	0.028	9
Absence of executing firm's independence	0.280	0.035	5
Absence of responsiveness of institutes	0.122	0.015	13
Absence of empathy and collaboration in related firms	0.069	0.009	17
Ambiguity in targets	0.313	0.039	4
Conflict in targets	0.113	0.014	16
Multiplicity of targets	0.383	0.048	3

Considering the calculations and limit super matrix, output of super decision software and final ranking of the sub-criteria has been shown in figure 5.

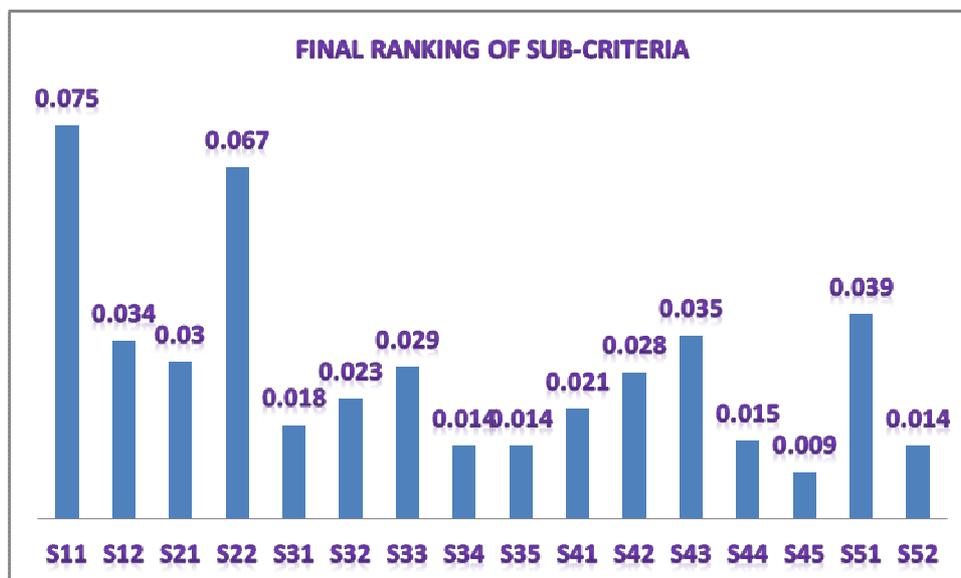


Figure 5: final ranking of sub-criteria

Final results of paired comparisons of the sub-criteria with dimensions of human resources “absorption and employment” dimension has the greatest weight (0.369). In other words, it is prone to more harm.

“education and improvement” dimension comes second in the ranking (weight=0.273). In other words, it comes second in vulnerability ranking. “assignment and application” dimension (weight=0.223) comes third. “Maintenance” has the least weight and vulnerability (weight=0.153).

Conclusion

a) Absorption and employment dimension

1. in this dimension, “public benefits” criterion is the most important factor and has the greatest weight. “Public benefits” which is one of the parameters of Grindel’s model refers to justice in providing information equally for everyone (transparency in privatization). Considering its weight (0.540), managers should pay special attention to this dimension and provide information for all private sector entrants. This increases people’s interest in private sector. Ideas of the submitted firms verify this result.

2. from executive managers' viewpoints, public benefits have been harmed in different time periods due to absence of exact estimation and proper pricing and absence of managers' knowledge on qualitative and quantitative measurement and also absence of proper and clear regulation and ambiguities and purchase of firms cause some products not to be evaluated properly.

On the other hand, public firms managers resist against submission and privatization by means of disrupting the process and via informal groups and this, in part, harms general benefits.

3. for the case of targets forms (weight=0.503) and after an interview with submitted firms managers, it can be said that a privatized firm must avoid ambiguities in targets for absorbed or new employees so that they can clearly and independently select private sector for work.

b) training and improvement:

1. in human resource training and improvement, public benefits criterion (0.389) came first in priority. This means managers must pay attention to human resource training and provide justice for all employees and try to develop training before and during employment so that all employees can have necessary training related to their jobs and tasks (including specialized, common and public trainings) and discrimination is eliminated and every one gains access to knowledge.

2. special benefits criterion (weight=0.362) and targets form (weight=0.307) came in the second and third rank. This shows that managers of privatized firms must satisfy public benefits and meanwhile try to clarify organizational targets and remove ambiguities for employees in training courses and clarify all micro and macro strategies and targets for employees and eliminate employees' conflicts with ambiguous targets.

c) maintenance

1. in maintenance dimension, executive capability criterion (weight=0.237) came first in ranking. This means the executive power of executing firm, its structure and independence and also responsiveness, coordination and collaboration of other institutes are important in privatization process and this prevents from turnover and transfer.

d) application and appointment

1. in this dimension, executor's capability criterion (weight=0.355) came first in ranking. This means that executing power of a firm can have a considerable influence on selection of competent managers and increase their interest so that they may compete in achieving high organizational ranks. This helps increase organizational independence, responsiveness of workforce and collaboration sense so that future management will become efficient and organized.

2. in this dimension, way of execution criterion (weight=0.073) came first. This shows that way of implementation of privatization based on the pre-mentioned indices can have a lot of impacts on promotion of employees and managers to higher ranks.

a) General recommendations for elimination or reduction of privatization disadvantages:

1. adjustment of regulations in order to clarify the role of government, workers and employers in privatization process.

2. encouragement and improvement of talks between employees and managers in order to inspire sense of cooperation and participation of workers and employers before restructuring

3. guarantee of public support for privatization plan in order to reduce psychological and social costs.

4. Organizing committees and subsidiary firms for creating added value in the field of human resources

5. attention to timing in order to reduce its negative impacts on employees' morale.

6. inspiration of commitment, sense of responsibility and job security in privatization through attraction of employees' trust

7. Transparency and budget allocation for reviving defective industries in order to improve salary and wages levels.

8. Concession of tax exemption to new owners of submitted firms and other advantages so that they are able to implement article 16 of privatization law (no redundancy allowed until 5 years so that workers have enough time to find new jobs).

b) Special recommendations in the field of human resources

b-1- absorption and employment

1. Recognition of efficient human force and assignment of tasks based on their specialization and experiences considering organizational needs and priorities.

2. Application of a combination of different operations based upon modern HRM systems (absorption, training and maintenance of workforce) in an effective manner.

3. Attention to human respect and observation of employees' organizational culture in order to absorb and maintain preset managers in privatized firms.

4. Attention to human resource structure before submission and creation of occupational opportunities instead of reducing personnel volume in privatization process.

b-2- training and improvement

1. Training improvement by managers in order to upgrade employees' knowledge

2. Cultural improvements in order to change and strengthen human resource managers' knowledge in submitted firms.
 3. Familiarization of civil servants with private sector requirements and their preparation for accepting the expected change.
 4. Implementation of special programs for empowerment and update of employees in transition phase.
 5. Improvement of competencies and capabilities of human resource via investment, training and development of experiences.
- b-3- maintenance
1. Participation of human resource in decision-making via a mixture of motivational packages.
 2. Delegation of power and responsibility in order to maintain human resource and improvement of their interest and commitment.
 3. Implementation of voluntary retirement plan and unemployment insurance via redundancy policy.
- b-4- application and appointment
1. Identification and training of talented individuals and concentration on their capabilities and skills in order to succession planning in emergency cases like immediate changes, human resource shortage and problems arisen from retirement, redundancy, promotion and so on.
 2. Attention to and concentration on individuals' knowledge improvement in order to identify human talent reserve in organizations in order to make sure of training managers for future key posts.
 3. Establishment of a personnel bank of elites and competent individuals for promotion.
 4. Establishment of a system for evaluation of human resource managers' performance in submitted firms.

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