

THE UNIVERSITY OF HULL

Privatisation: A Saudi Case of Implementation and Organisational Change

**A Doctoral Thesis Submitted in Partial Fulfilment of the Requirements
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Abstract

Privatisation has gained increased attention throughout the world since its emergence in the 1970s. It is argued that countries have adopted different privatisation programmes due to two main reasons; poor economic conditions and low performance of State Owned Enterprises (SOEs).

Privatisation has been studied from different perspectives: in privatisation theories and the drive behind privatisation in prices and entry in interurban coaching, in the methods and benefits of privatisation and in regulations, liberalisation, and reforms that are associated with the privatisation process. Moreover, researchers have looked at the privatisation of certain industries such as communications, energy, water, steel, and transportation. Nevertheless, the focus was primarily economic and financial, while, limited work has been carried out on the implementation phase of privatisation, as most of the work has looked into the pre and post stages of privatisation.

Therefore, it is the aim of this research to investigate the privatisation implementation phase of Saudi Arabian Airlines (Saudia), which started in 2000 and is still not complete. Also, the transformation process, from the public to private sector, is complex in nature, as changes imposed on privatised firms influence and possibly challenge the core and deeply embedded objectives, values, and culture that public firms hold. Thus, this research is structured on three pillars: privatisation, the change process, and employees, looking at the organisation from three different angles to gain as much understanding as possible of the context, and in turn, the implementation phase. Furthermore, since the privatisation project in Saudia is still ongoing, utilising a processual approach is of significance as it will provide insights on the change process and how change has evolved and developed with time.

A qualitative approach (in-depth, semi-structured interviews) was utilised in the study as the research seeks to investigate the implementation of privatisation and how change occurs and unfolds as the firm transforms from public to private sector. The research significance lies in its exploration of the privatisation process and how it has evolved over time, hence, adopting a processual approach. In addition, the research focuses on enriching the literature on the Arab world, as it has a unique cultural context that is less explored. In addition, the Islamic perspective on privatisation and other organisational aspects is incorporated in this study, which contributes to the literature on the topic,

while at the same time providing a platform of knowledge which other Islamic countries may wish to consider or follow.

The research results encompass three angles; the privatisation of Saudia, the change process, and employees. The findings show several key areas that have directly impacted all three elements, whilst overlooking certain aspects related to culture and religion has impacted the transformation process, resulting in the slow progress of the project. In addition, the results accentuate the importance of communication and HRM role in the transformation process, while reflecting on their limited practice within SOEs. Also, the processual approach enabled the context to be portrayed in a chronological way, which signifies the start and evolution of the project while unveiling different factors that influenced the change process.

Dedication

This thesis is dedicated to my parents, whose lives will always be my greatest source of pride, inspiration, and support. My beloved father, who passed away in May 2018, who loved me and encouraged me to achieve my dreams and goals in life. I pray for Allah to forgive him and have mercy on his soul and grant him paradise. Also, to my beloved and precious mother, in appreciation of her endless love and prayers for me. I ask Allah to bless her with long, healthy life and joy.

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Abbreviations

BA	British Airways
BG	British Gas
BT	British Telecom
CEE	Central and Eastern Europe
DG	Director General
ERP	Enterprise Resource Planning
EVP	Executive Vice President
FDI	Foreign Direct Investment
GACA	General Authority of Civil Aviation
GCC	Gulf Corporation Council
GHS	Golden Handshake Scheme
GOSI	General Organisation for Social Insurance
IMF	International Monetary Fund
IPO	Initial Public Offering
MCS	Ministry of Civil Services
MD	Managing Director
MENA	Middle East and North Africa
MEP	Ministry of Economy and Planning
n.p	No Page
PBUH	Peace Be Upon Him
PPA	Public Pension Agency
PSA	Property Service Agency
SAEI	Saudi Aerospace Engineering and Industries
SAGIA	Saudi Arabian General Investment Authority
SBU	Strategic Business Unit
SEC	Supreme Economic Council
SOE	State Owned Enterprise
STC	Saudi Telecommunication Company
VP	Vice President
WTO	World Trade Organisation

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter will provide an overview of the research, a brief historical background of the establishment of Saudi Arabian Airlines (Saudia), followed by an investigation into the source of the research problem, along with a statement of the problem and research questions, research context, and research objectives. This will be followed by a brief statement of the areas related to privatisation that will be investigated; the change process; Saudia; significant research contribution; methodology and scope, ending with the organisation of this research study.

1.2 Research Overview

The research topic focuses on the privatisation of public enterprises. Even although governments adopt and promote different privatisation programmes, nonetheless, public firms face dilemmas and challenges associated with the implementation of such programmes. In addition, the transformation process, from the public to private sector, is complex in nature (Wiltshire, 1987) as changes imposed on the privatised firms influence and possibly challenge the core and deeply embedded objectives, values, and culture that public firms hold.

Internal reaction to such changes is dynamic due to the fact that stakeholders, who are associated with the privatised firm, may favour their implementation whilst others may resist them. This clash among different stakeholders obviously can affect the privatisation implementation phase and, in turn, the outcomes. Therefore, an understanding of such interactions would assist in identifying the conceptualisation of what takes place during the implementation phase.

In addition, in certain cases where less research has been conducted, such as in the Arab world, adopting other countries' (Western world) developed approaches and change strategies could clash with national cultural and norms, which could also result in further obstacles that would impact upon the privatisation and change process.

Thus, the aim of this research is to investigate the implementation phase of the privatisation process, whilst focusing upon the change process and how it has evolved within the organisational context, by emphasising the views and interactions between

different stakeholders within the privatised firm. This study will look into the privatisation of Saudi Arabia Airlines (Saudia), which began in 2000, but is still not finished to date. This lengthy process offers an opportunity to investigate the change process and what has affected its progress. In addition, it will enrich and inform an area that has not been extensively researched, i.e. the privatisation implementation phase (Antal-Mokos, 1998) within an Arabic context which holds a unique management approach, with distinct characteristics that are yet to be explored (Weir, 2001).

1.3 Brief Background on Saudia

The establishment of Saudia began on 14th February 1945 when a Douglas DC-3 aeroplane was presented to King Abdul-Aziz as a gift by the President of the United States, President Roosevelt. During 1946, Saudia was incorporated into the Ministry of Defence as an operating agency. In 1963, Royal Decree No. 45, signed by King Faisal, marked the establishment of the airline as an independent entity run by a Board of Directors, which was chaired by the Minister of Defence. Further, in 1967 Saudia joined the International Air Transport Association. In consequence, many international routes were established that year, resulting in Saudia operating flights to 49 destinations on three continents by 1972 (Saudia Airlines, 2014).

During this period, Saudia developed its capabilities and expanded its operation and fleet, so by 2014, it had carried 12.7 million passengers (Saudi Arabia General Authority for Statistics, 2016). Throughout these years, Saudia had grown rapidly in terms of its operation, fleet, and destinations as detailed in Figure 1.1 below.

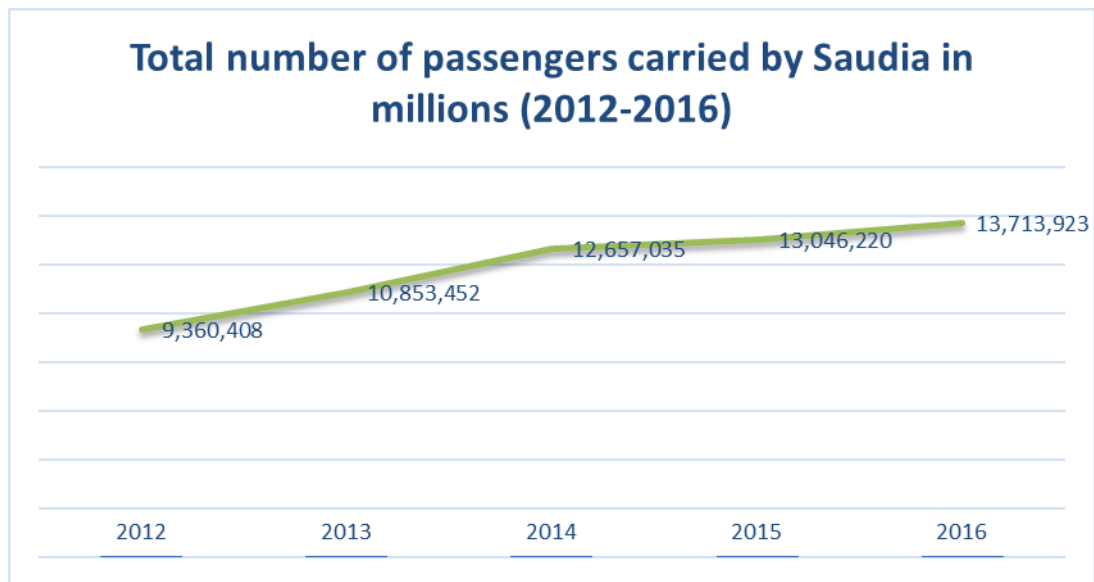


Figure 1.1 Total number of passengers carried by Saudia in millions (2012-2016)

(Saudi Arabia General Authority for Statistics, 2016)

However, despite enjoying the complete monopoly of this aviation sector, along with the subsidies that Saudia receives from the Saudi-Arabian government, the performance of this airline has continued to decline with increased losses as well as low customer satisfaction and productivity levels being registered (Ramady, 2006). Therefore, it could be argued that key operational decisions were made to satisfy political agendas at the cost of the airline's interests. These, in turn, constrained the airline's ability to compete with other worldwide established airline operators (Rice, 2004). Thus, according to Cordesman (2003), the idea of privatising Saudia was instigated by the King in 1994. This led to the start of a complete restructuring of the company towards achieving its goals. However, it was not until September 1999 that more clearly defined instructions were given to the Board of Directors to seek professional advice that would help in providing an effective privatisation plan for the company.

To this end, in May 2000, Saudia invited investment banks to prepare appropriate contract bids for the privatisation of Saudia (Al-Buridi, 2008). In August 2000, HRH Prince Sultan stated that

...the Kingdom has chosen privatization as a strategic option in order to utilize the capabilities of its youth and to highlight their innovations and skills, pointing out: After completion of the study the contracts for which have been signed today, we will present to our citizens a large and successful facility that will promise greater success for investment

and that will be operated as a profitable private company providing distinguished service, giving returns to its stockholders and operated on a strictly economic basis

(Saudi-Embassy, 2000:n.p.).

In 2004, Saudia's Director General (DG), Dr Khaled bin Bakr, stated that the privatisation plans for Saudia had been completed and a feasibility study of the project would soon be presented to the Council of Ministers (Saudi-Embassy, 2004a). The Saudi Arabian government in June 2006 announced the appointment of a new DG, Eng. Khaled Almulhim, who had been the person in charge of privatising the Saudi Telecommunication Company (Gulf News; Senior Country Editor, 2006).

1.4 Source of the Problem

In an interview conducted by Khaleej Times (2006), Eng. Almulhim stated that Saudia would privatise five sectors: Catering, Cargo, Ground Support Services, Maintenance, and Training Units. "The plan will take about 18 months for completion" (n.p). Table 1.1 below shows the time frame for the privatisation project to be completed. Moreover, Eng. Almulhim explained that the plan consisted of four stages and that Saudia was in fact actually in the third stage:

Choosing consultants, preparing studies, restructuring of non-core businesses to become profitable units, to be part of the mother company, and privatising the mother company by determining the percentage of shares for floatation and completing procedure for initial public offering (IPO). Moreover, Almulhim explained that each unit will be a separate company under the umbrella of the mother company, whose privatisation has already been announced (n.p).

As a result of the above, it was envisaged that the airline's privatisation would be completed by the first quarter of 2008 (Khaleej Times, 2006). However, eight years later and even to date, the airline has not been privatised. Al-Ajhar, Saudia's Vice President of Public Relations, in his interview with Abdullah (2011), stated that

The company's privatization program is going ahead as scheduled with the core aviation unit set to be privatized no later than 2013 Due to many factors, it (the process) will take its own time, however I am hopeful that within one or two years the whole process would be completed (n.p).

Table 1.1 Proposed Privatisation plan for Saudia

Strategic Business Unit (SBUs)	Privatisation start date	Privatisation to be completed by
Catering	August 2006	November 2006
Cargo	September 2006	February 2007
Ground Support Services		March 2007
Maintenance and Training		May 2007
SAUDIA AIRLINES		1st quarter 2008

Compiled by author from Khaleej Times (2006)

According to Trivedi (2002:8-9)

Saudia has failed to make a profit in any year since 1984. Its finances are precarious. It is technically bankrupt and has no further borrowing capacity. The balance sheet shows a large negative net worth of SR 3.7 billion. Current liabilities exceed current assets by SR 7.9 billion. Saudia utilizes much less of its capacity to carry weight, passengers, and cargo than benchmark airlines; its aircraft utilization is well below industry standards. Similarly, available data suggest that Saudia is overstaffed by 20 per cent.

Further, Saudia's DG stated that "we may manage without a large number of present employees, many of whom have no specific assignments" (Khaleej Times, 2006:n.p). Furthermore, Al-Buridi (2008) highlighted that although government officials stressed the need for, and supported privatisation decisions, nevertheless, resistance to this policy had arisen from within Saudia during the implementation process. Such diversity of views suggests that employees within the company presented an obstacle that needed to be immediately addressed and co-ordinated, in order to allow the privatisation process to proceed.

When considering the situation within Saudia, many factors and conditions can be identified due to the unique conditions within the company. Firstly, the company has

been operated by the public sector for more than 60 years. This presents difficulties, as the long established cultural and operational environment is now about to change with the privatisation of the company. Secondly, as the company has grown to a capacity of more than 24,000 employees, this has led to an increased level of bureaucracy throughout the organisation, which in effect hinders rather than promotes advancement (Al-Buridi, 2008). Thirdly, because the benefits that are provided by the public sector are more appealing and therefore favoured by employees, hence, employees will be prone to resist and oppose privatisation. Fourthly, the perceptions that employees hold about privatisation and its link to downsizing (Macgregor et al., 1998), plus focusing on increased performance and productivity levels (Parker, 1993), has increased employees' resistance.

1.5 Statement of the Problem and Research Questions

Privatisation is and has been a major strategy in the Kingdom of Saudi Arabia (KSA) as it has been viewed as an important integral strategy for the Kingdom's future and economic growth. As stated, the privatisation strategy was adopted in the 1990s. However, it did not gain sufficient attention or implementation until recent years when the government realised the need to diversify its sources of revenue because worldwide oil prices reached a record low. The Saudi government has, therefore, embarked upon its vision (to be completed by 2030) of diversifying its economy and reducing its reliance on oil as the main source of revenue. Furthermore, the Saudi government stresses the future key role of the private sector in the Saudi economy, which included a clear direction of privatising State Owned Enterprises (SOEs). "We are in the process of determining additional sectors suitable for privatization. Our goal is to create a comprehensive privatization program" (Ministry of Economy and Planning, 2015:83).

Briefly, by way of examples, the first privatisation project undertaken by the Saudi government was the privatisation of the Telecommunication Sector (Akoum, 2009). The privatisation of the Saudi Telecommunication Company (STC) was completed in December 2002. This was quickly followed by the privatisation of the Saudi Postal Services in 2003 (ibid). Another major privatisation project to be undertaken by the government was the privatisation of Saudia, which started in 2000 and has been ongoing ever since.

Due to the unclear situation and conditions that are associated with the privatisation case that Saudia is facing, this study will primarily focus upon the privatisation implementation phase, whilst investigating the reasons behind the prolonged privatisation process. It will also focus on the different issues within Saudia, with an emphasis upon the change process and how it has evolved with the progression of the privatisation project.

Consequently, this research will explore three main pillars (Figure 1.2) that constitute the main key angles of the research: the privatisation project, the changeover process, and the employees within Saudia. In order to understand the interaction and context between these key pillars, as illustrated in Figure 1.2 below, interactions between them are linked with arrows in both directions, signifying the effect and impact they have upon one another.

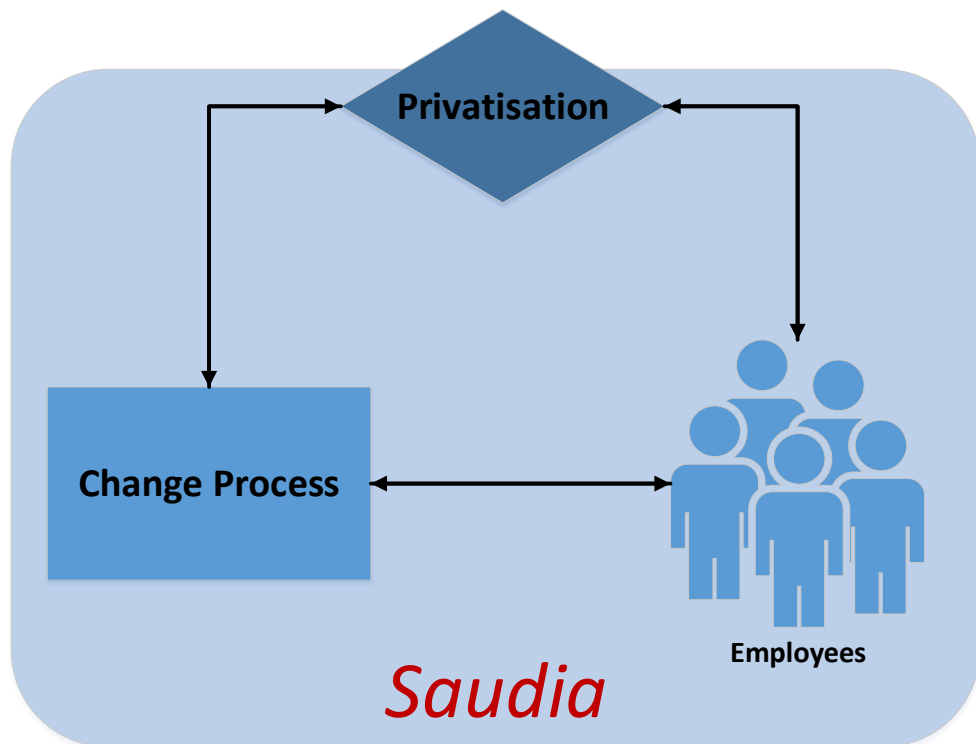


Figure 1.2 Research Main Pillars; Privatisation, Change Process, and Employees

It is the aim of this study, therefore, to investigate the privatisation of Saudia and identify the implications for future privatisation projects in general, along with the reasons behind the prolonged privatisation process of Saudia and its impact on employees. This study seeks to answer the following questions:

- a) How has privatisation affected Saudia?
- b) How has change evolved and developed throughout the privatisation process?
- c) How has privatisation affected the employees?

1.6 Research Context

There are three main groups that are associated with the privatisation project: the Saudi government, affiliated agencies (external), and the privatised firm (Saudia). There are two main entities that are internal to Saudia; 1) higher and top executives and 2) middle managers and employees. External and affiliated agencies represent entities that are not under the management or control of Saudia, but affect its operations and are linked to the privatisation project, such as the Ministry of Economy and Planning (MEP), Supreme Economic Council (SEC), Saudi Privatisation Committee, Public Pension Agency (PPA) and General Organisation for Social Insurance (GOSI), etc. Figure 1.3 below illustrates the research context and the association among the three groups.

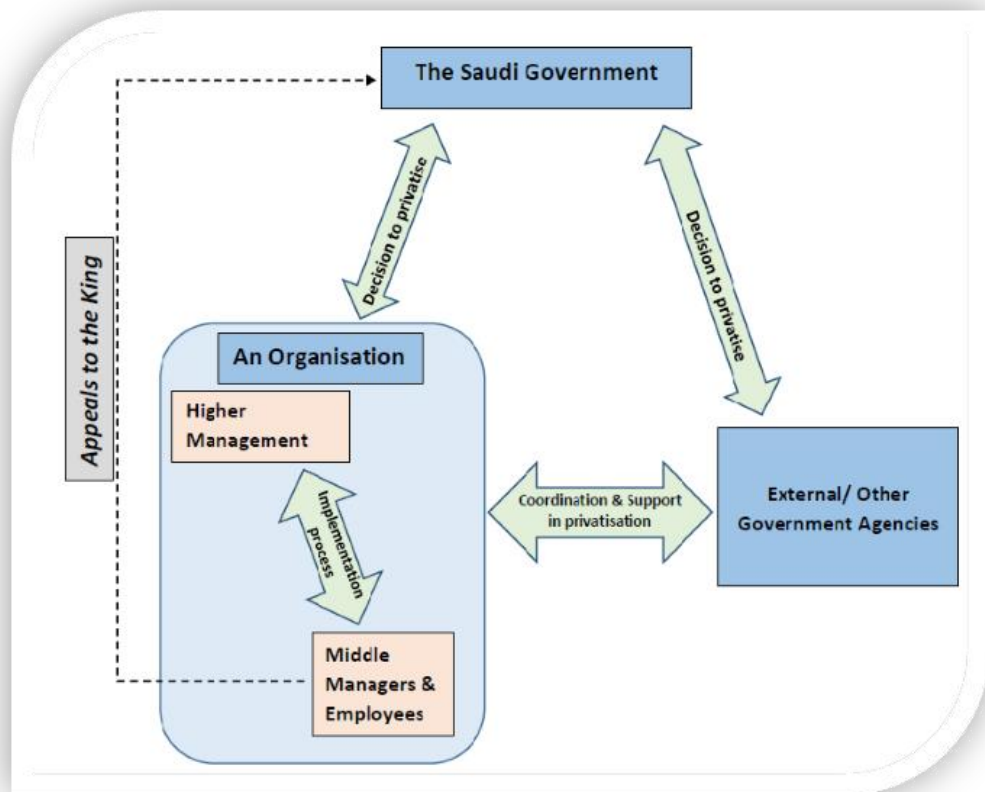


Figure 1.3: Research Context

The research will be conducted within Saudia but will include different Strategic Business Units (SBUs). Five SBUs have been established as part of the privatisation of Saudia and others have been planned for but not executed until now (Table 1.2).

Table 1.2 Saudia Holding Group

Established SBUs	Still part of Saudia
Saudi Airlines Catering Company	Prince Sultan Aviation Academy
Saudia Cargo Company	Saudi Airlines Real Estate Development Company
Saudi Ground Services Company	Saudia Medical Services
Saudia Aerospace Engineering Industries (SAEI)	Saudi Printing
Saudia Private Aviation	Saudi Commercial Airlines
	Royal Fleet

(Saudi Private Aviation, 2017)

As the study aims to investigate and explore how the privatisation affects Saudia, the ways in which change occurs and has been evolving with time since the commencement of the project in 2000, and how the changeover to privatisation has impacted upon employees, participants will be representative of the four organisational levels within Saudia: the executive level, top management level, middle management level, and employee level. Whilst the association with other agencies will be highlighted and reflected upon as part of the study, nevertheless, it will not be explored in detail as it is beyond the scope of this study.

Also, as the study seeks to investigate the changes that have been imposed by the privatisation process, this research will focus upon the changes that have taken place and their impact upon employees as the project progresses. Hence, the aims of the study reflect the three main angles of the study, as detailed in Figure 1.2 above.

1.7 Research Aims

Beesley and Littlechild (1997:11) state that

In principle, one might examine the effects of each alternative privatization proposal on different interest groups such as existing and potential customers, taxpayers, suppliers of labour and capital, etc. Trade-offs between these interest groups could be established and discussions made accordingly.

Therefore, this research aims to investigate the impact of privatisation from within the organisation being privatised; how the organisation is being affected by the privatisation; how it changes and transforms from the public to the private sector, as well as employees' perspective and how privatisation has impacted upon them.

At a holistic level, the main aim of this research is to provide a clearer view of the context that embodies the three elements of the research: the privatisation, the change, and employees and the challenges that are taking place within Saudia. The research objectives are illustrated below in relation to the three main pillars of research: the privatisation project, the change process, and the employees.

1.7.1 The Privatisation of Saudia

The study will explore:

- The government's privatisation strategy,
- Political aspects and the government role in privatising Saudia,
- Affiliated agencies' role and impact on the privatisation of Saudia.

1.7.2 The Change Process

The study will explore the change process and how it has evolved as Saudia transforms from the public to the private sector:

- Saudia's approach to change from public to private sector,
- How change has progressed and developed throughout the implementation period,
- The outcomes of the change initiatives and the reactions to them.

1.7.3 Saudia Employees

This study will explore and investigate how the employees were affected by the impact of privatisation. In particular, the research will examine:

- Employees' perceptions of privatisation,

- How they were impacted by privatisation,
- Their perceptions of the change approach and how they have been impacted by it.

1.8 Research Significance

After more than forty years since the mass adoption of the privatisation strategy was first introduced, it would seem that there is no immutable model for successful implementation of privatisation. Whilst the vast majority of the privatisation literature has focused upon privatised firms in the pre and post phases, scant work has researched into the implementation phase. As Antal-Mokos (1998:23) stated:

Agency theory, as applied to privatisation, appears to employ an underlying logic of comparing the distinct states of “before privatisation” and “after privatisation” while ignoring the path in between, as if privatisation were not a process but a one-moment event whose presumed effects are immediate.

Equally, Rodríguez et al. (2007) highlighted that most research had focused on the political and economic aspects of privatisation, while little attention was given to individual cases of privatisation that reflects its implication on firms (Zahra et al., 2000). In addition, Martin and Parker (1997:172) highlighted that “...so far surprisingly little research has been undertaken into the internal restructuring of privatised organisations”, especially as (a) the privatisation process is complex in nature (Wiltshire, 1987; Veljanovski, 1988; Dabrowski, 1994); (b) whilst some stakeholders favour its implementation, others resist it as they have less interest or lack the abilities to implement it (Martin & Parker, 1997). Decades of research in privatisation demonstrates that different outcomes have been yielded from different privatisation projects (Ramanadham, 1988; Van de Walle, 1989; Moore, 1992; Hensley & White, 1993; Wright, 1994; Lopez-de-Silane et al., 1995; Antal-Mokos, 1998; Savas, 2000; Willner, 2003; Parker, 2009).

Therefore, by investigating the privatisation process, this study strives to gain a greater understanding of the approaches and decision-making processes that take place to overcome problems and obstacles during the change process. Moreover, this study hopes to identify and demonstrate the processes that take place during the privatisation implementation phase, which will inform and add to both academic and practical knowledge.

1.9 Research Contribution

Efforts to improve the privatisation implementation process are mainly executed by consultants and dedicated officials within the organisations, so it is not as clear or understood within a practical context. A clear understanding of such phases could yield significant information within and about different organisational contexts that could lead to improving conceptualisation and development of theories and/or models, all of which could inform improvement in understanding organisational change, organisational behaviour, and management strategies. Investigating and exploring such privatisation cases should contribute to gaining an understanding of the complexity, turbulence, and different forces that operate in interaction with one another or individually, as they become interwoven during the implementation process.

For instance, Pettigrew et al. (2001) reported that scholars, such as Greenwood and Hinings, 1996; Orlikowski, 1996; Van de Van, Angle, and Poole, 1989 “...have acknowledged that context and action are inseparable, that theories of change ought to explain continuity, and that time must be an essential part of investigations of change if processes are to be uncovered” (697). Therefore, this study strives to contribute to the existing body of knowledge as it looks into the privatisation phenomenon during a much less studied phase (implementation). It will examine change as it evolves (utilising a processual approach) whilst seeking to identify and discover the ways in which the organisations and employees are affected throughout the change process. In addition, it aims at advancing and informing a wider range of audiences that includes scholars, governments, investors, privatisation leaders, top executives and practitioners. The outcomes will:

- Illustrate how privatisation impacts within and upon privatised firms
- Show how privatisation, change, and employees interact within the organisational context
- Show employees’ areas of concern and its impact on the privatisation process
- Provide a better understanding of the impact of change on employees
- Deal with complexity by adopting a processual approach, which is new in studying the privatisation phenomenon. The processual approach will investigate the change process and how it has evolved and developed as the privatisation project progressed

- Provide an Islamic perspective into concepts that are associated with the privatisation phenomenon, as most works had focused on Western perspectives
- Apply and link existing theories to the Saudi Arabian context, which has unique characteristics in terms of its culture and norms, and
- Enhance existing literature related to global work on privatisation in general and on Saudi Arabia in particular.

1.10 Research Methodology and Scope

In investigating the privatisation phenomenon and understanding its effect on the organisation and its employees, this study uses a qualitative approach. As the study aims to investigate and explore the implementation phase of privatisation and how change occurs and evolves over time, along with the ways in which such change affects employees and the organisation, the case of Saudia provides an appropriate focus as the firm is still under privatisation and reflects the ongoing change process for decades, as the project started in 2000 and is still not completed. Data collection was facilitated by the utilisation of semi-structured interviews, which enabled respondents to convey their views and perspectives on different aspects and various processes that are associated with the privatisation and the change process that the company has been undergoing.

The current and future plans of Saudi Arabia, as emphasised by the government, have given privatisation a major scope and influence upon its economy and economic policies. As such, this requires empirical research to illustrate and shed light upon privatisation and its impact upon firms and their employees, whilst at the same time, providing an understanding of the complex and interwoven context that a privatised firm undergoes during the implementation phase. Such research is rare, as not many such studies have been conducted that focus upon the implementation phase of the privatisation process, and with limited focus on examining the change process as it evolves, hence, using a processual approach. Research methodology will be fully detailed in chapter four of this thesis.

1.11 Thesis Organisation

This study consists of eight chapters.

Chapter One is the introduction of the thesis, which briefly outlines the historical background of the establishing of Saudia, the source of the problem under investigation, followed by a statement of the problem and research questions, the research context, its aims, the research significance, and contribution, the methodology and scope ending with the organisation of the thesis.

Chapter Two is divided into three main sections: the first section provides a general overview of the privatisation phenomenon, including the origins and definition of the term, along with the motivation, objectives, and methods of privatisation. The second section addresses the main theories of privatisation: Property Right Theory, Public Interest Theory and Principal-Agent Theory. In addition, other conceptual perspectives that are associated with ownership and incentives, competition and regulations are presented in this section. The third section reports global experiences on privatisation, including the cases of the UK, USA, Germany, Spain, France, Russia and Central Europe, Asia, Latin America, Africa, and the Middle East and North Africa (MENA).

Chapter Three moves from the general view presented in the previous chapter to a more focused view on Saudi Arabia. This includes a general overview of the socio-political, economic, cultural, and religious aspects being presented, followed by Saudi Arabia's privatisation programme, motivation, and progress. Lastly, an Islamic view on different aspects of privatisation will be presented to reflect the differences of perspective between Arab Islamic views and their origins, compared to Western views.

The Research Methodology is presented in **Chapter Four**. Philosophical paradigms are addressed along with various research approaches. After this, the research design is explained, reflecting on the appropriateness of the selected research approach and data collection method. This is followed by details of sampling, and data analysis, and a discussion of reliability and trustworthiness. Finally, research ethics and the role of the researcher are examined.

The research findings and analysis are presented in two chapters: **Chapter Five** provides details of participants' profiles and the data analysis approach and procedures that were utilised in the study. Then, findings that led to the generating of the first category, the privatisation of Saudia, are presented. **Chapter Six** details the second and third categories: the change process and Saudia employees.

Chapter Seven contains a discussion of the research findings, in relation to the research questions: How has privatisation affected Saudia? How has change occurred and evolved over time and how were employees affected? The discussion will be related to theories and scholars' work in an effort to provide a better understanding of the current and contextual conditions that a privatised firm experiences.

Chapter Eight is the concluding chapter of the study, where a summary of the research findings is presented while highlighting the research implications and contribution. Lastly, recommendations for future research are provided.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter a review of the current literature related to privatisation and its influences, impacts and results will be discussed. This will include outlining the difficulties associated with an agreed definition of privatisation; a historical outline of the origins of privatisation; reasons and objectives behind motivations to privatise, methods and theoretical perspectives of privatisation. The impact and importance of ownership, incentives, Property Right theory, Public Interest theory, Principal-Agent theory and Information Asymmetry will be addressed. It is essential for the review of literature to place this study within the global experience context; therefore, this chapter will briefly detail aspects of privatisation in developed countries, such as UK, The United States of America, France, Spain, and Germany. It is equally important, in order to establish a balanced foundation for this study, i.e. review the literature related to privatisation in developing countries: Russia and Central and Eastern Europe, Asia, Latin America, Africa, and MENA. Such review, covering as many countries as possible, offers a broad spectrum of the methods of implementation, impacts, and experiences of effective and ineffective usage and development of privatisation, which allows for similarities and contrasts to be identified and discussed. This chapter ends with a summary of the areas discussed, along with a platform for the case of Saudi Arabia, the focus of this research, to be covered in the following chapter.

2.2 History of Privatisation

The history of privatisation began after World War II, when governments thought that nationalisation strategies would generate access to revenues that could be utilised in financing other important economic projects, and so used it as a tool to direct and control important sectors of the economy (Van de Walle, 1989). However, despite all the financial support, subsidies, and monopolistic powers that SOEs enjoyed, their performance was continuously criticised as revenues were far lower than had been anticipated (King, 1987; Vickers & Yarrow, 1988; Van de Walle, 1989; Jackson & Price, 1994; Al-Obaidan, 2002; Nellis, 2012). According to Voszka (2018:1281) “particularly since the 1970s, there has been growing criticism of the practical consequences of nationalisations: the failure of governments to manage oil crises by these measures or the poor performance of public firms”. Such results were attributed to

many reasons, such as unclear or conflicting objectives, government interference on firms' decisions, lack of managers' accountability and limited incentives to motivating managers, with poor level of competencies geared towards commercial operations (Shirley, 1983).

As revenues and performance levels continued to fall and there was a global economic recession, some governments advocated a possible solution through privatising SOEs (Hirschman, 2002). Subsequently, this resulted in the privatisation strategy spreading throughout the world, being adopted by both developed and under-developed countries. However, Veljanovski (1988) argued that there is a misconception that privatisation is "...[as] simple as transfer of ownership" (Veljanovski, 1988:558). He and others including Aylen (1987), Veljanovski (1988), Bishop et al. (1994), Yarrow (1999), Megginson et al. (1994), Saal (2003), Ramady (2006), Bognetti and Obermann (2008), Parker (2009) have demonstrated that privatisation involves complex aspects that are associated with changes in three main areas: ownership, liberalisation of the market, and regulatory structure. Whilst all have a broad base of consensus, this has generated a vast amount of literature as to an agreed definition, government's motivations and reasons or justifications for privatisation.

2.3 Definition of Privatisation

Pheko (2013:25) stated, "Privatisation is a concept that is hard to define because it encompasses a wide range of possibilities". Nonetheless, existing literature shows broad and narrow definitions of privatisation. For example, Bel (2006:188) indicated that "...privatisation was defined in the 1961 edition of *Webster's Third New International Dictionary of the English Language Unabridged* (p. 1,805) as to alter the status of (a business or industry) from the public to private control or ownership". According to the World Bank, Legal Reform and Private Sector Development Unit (n.d.:4-5)

'privatization' means a transaction or transactions utilizing one or more of the methods referred to in section twenty-one and resulting in either the sale to private parties of a controlling interest in the share capital of a state owned enterprise or of a substantial part of its assets, or the transfer to private parties of operational control of a state owned enterprise or a substantial part of its assets.

Further, Ullrich (2001:5) defined privatisation as the transfer of ownership, management, finance or control of public assets to the private sector, although in a narrow sense it is in fact the actual sale of public assets to the private sector. Equally,

privatisation has been linked to deregulation and liberalisation with a reduced government role. Hence, Savas (2000:2) defined it in a broader sense as “...the act of reducing the role of government or increasing the role of the private institutions of society in satisfying people’s needs; it means relying more on the private sector and less on government”. Whereas, Donaldson and Wagle (1995:13) stated that privatisation in “...a generous stance would admit any transfer of ownership or control from public to private sector. A more exacting definition would require that the transfer be enough to give the private operators or owners substantive independent power”. This leads to exploring the origins of privatisation.

2.4 Origins of Privatisation

Looking at the term privatisation and tracing back its origins indicates, according to Savas (1987), that it is a fairly new term. However, its origins can be traced back to the work of the Scottish economist, Adam Smith (1925) who advocated selling land to the private sector to pay public debts. He stated that

In every great monarchy of Europe the sale of the crown lands would produce a very large sum of money, which, if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have even afforded to the crown. In countries where lands, improved and cultivated very highly, and yielding, at the time of sale, as great a rent as can easily be got from them, commonly sell at thirty years purchase; the unimproved, uncultivated, and low-rented crown lands, might well be expected to sell at forty, fifty, or sixty years purchase. The crown might immediately enjoy the revenue which this great price would redeem from mortgage. In the course of a few years, it would probably enjoy another revenue. When the crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated (309).

Nevertheless, there is an on-going argument among scholars Drucker (1969); Yergin and Stanislaw (1998); Bel (2006) as to the first introduction of the term privatisation. According to Yergin and Stanislaw (1998), the term privatisation was adopted instead of denationalisation after the work of Drucker (1969) in which he argued that “...government is a poor manager ... because it has no choice but to be bureaucratic” (214), consequently “...government loyalty is of more importance than performance” (215). In support of his stance, Drucker (1969:217-218) argued that “...government purpose is to govern... they are not focused on ‘doing’ they are not equipped for it and they are not fundamentally concerned with it”. Thus, governments are less prone

towards commercial gains. However, Bel (2006) argued that the term ‘privatise’ had been introduced much earlier, in the 1930s and 1940s. To support his assertion, he stated that

It is difficult to be certain why the terms of “privatization” and “reprivatization” emerged from the discussion of German economic policy in the 1930s and 1940s. In February 1934, in a newspaper article in the *Der Deutsche Volkswirt* called “Zur Neugestaltung des deutschen Nahverkehrs” (“On the New Organization of the German Urban Transportation”; all translations are the author’s), the German word “Reprivatisierung” appears, which translates as “reprivatization.” (190)

Therefore, he suggests that the reason behind the “...mis-attribution is due to the impact of Drucker’s work on the literature and that his *Age of Discontinuity* has been widely disseminated” (ibid:189). So what are the motives behind decisions to implement privatisation?

2.5 Motivation to Privatise

Whilst there are numerous arguments and counter-arguments as to the definition and the origins of privatisation, there is unanimous agreement among scholars that the implementation of privatisation has gained the full attention of governments throughout the world (Antal-Mokos, 1998; Yarrow, 1999; Bennett, 2002; Boubakri & Cosset, 2002; Bourguignon & Sepúlveda, 2009; Lin & Pleskovic, 2009).

However, the driving force behind the adoption of privatisation programmes and implementation strategies widely differs among nations. As a consequence, Bortolotti et al. (2001:4-5) suggested four determinants for privatisation: “... (i) political preferences; (ii) hard budget constraints; (iii) legal origin; (iv) stock market liquidity”. Miller (1997:392) in contrast, agreed that

The most important distinction between the privatization programs in the United Kingdom and the developing countries is ideological. The ideological motivations of the United Kingdom’s privatization program are based primarily on the tenets of neo-liberalism. In developing countries, privatization programs are based primarily on pragmatic considerations.

Also, Geddes and Wagner (2013:36) reported, “Studies indicate that fiscal motivations tend to be one of the main drivers of privatization”.

Picazo-Tadeo et al. (2012), however, suggested that privatisation is motivated ideologically and politically. Savas (2000) divides the forces behind privatisation into five categories (Table 2.1).

Table 2.1 Forces behind Privatisation

<i>Category</i>	Description
1. <i>Ideological forces</i>	Associated with the increased control over individuals' lives and the increased power and size of the government. Thus, privatisation is viewed as a tool to limit the government role, which is the ideological view towards less government.
2. <i>Pragmatic forces</i>	Concerned with the declining performance of SOEs and the increased costs. In this case, privatisation is viewed as an important strategy towards enhancing the efficiency of SOEs and at the same time releases the government from some of the financial burdens.
3. <i>Economic forces</i>	Arise based on the improved status of the people; the more affluent they become the less dependent they become on government services. Hence, they could satisfy their needs independently. Therefore, the more affluent people become, the more accepting they become of privatisation.
4. <i>Commercial forces</i>	Associated with the idea that private sector is better aimed towards efficient utilising of SOEs and assets. Therefore, when governments spending on SOEs causes financial problems then privatisation becomes a practical solution as it is geared towards creating more business opportunities.
5. <i>Populist forces</i>	Associated with the public belief that SOEs are not serving their needs and not working for them but are more bureaucratic and institutionalised. Therefore, privatisation becomes the way of decreasing bureaucracy and at the same time providing the people with different choices that would serve them better.

Adapted from (Savas, 2000:5-6)

In addition to these, other scholars have presented other forces, which should be considered as external forces, such as the World Bank and International Monetary Fund (IMF). However, such cases are more associated with developing countries where financial support is solely linked to opening up the economy through the adoption of a privatisation programme (Aylen, 1987; Jomo, 1993; Luqmani & Quraeshi, 2015). To clarify the thinking behind presenting other valid forces, Ramamurti (1992:228) advocated that the reality was

The pressure applied on developing countries by international donor organizations such as the World Bank, International Monetary Fund (IMF), and the US Agency for International Development, to pursue this policy as part of a package of economic reforms [Aylen 1987; Babai 1988]. Whereas privatization has for long been encouraged by USAID for ideological reasons, it took on a new importance in the 1980s in the other two agencies [Babai 1988: 260-7].

Vickers and Yarrow (1988) provided several other reasons or justifications for privatisation (Table 2.2).

Table 2.2 Motives for Privatisation

- Reduce government involvement in industry
- Improving efficiency in the industries privatized
- Reducing the public sector borrowing requirements
- Easing problems of public sector pay determination by weakening the public sector unions
- Widening share ownership
- Encouraging employee share ownership
- Gaining political advantage.

(Vickers & Yarrow, 1988:157)

King (1987) was of the opinion that despite wide agreement that in part it was the 1980's global economic conditions that led nations to adopt privatisation strategies, consequently, he has suggested that privatisation benefits surpass the detailed outcomes above. As a consequence, numerous scholars, such as Littlechild (1988), Clarke (1993), Bishop et al. (1994), Martin and Parker (1997), Parker (2009), Marcelin and Mathur (2015) have suggested that privatisation could lead to better performance of SOEs, as the state has less power or ability to interfere with firms' decision-making processes. In the same line, Nellis (2012:13-14) asserted,

In many instances the sellers [government] also benefited, due not simply to the sales proceeds, but also to the reduced flow of government subsidies to loss-making firms, and the inflow of corporate taxes from now-profitable companies.

Thus, it could be argued that the motive to privatise could be attributed to the objectives behind the decisions to privatise, discussed next.

2.6 Privatisation Objectives

Even though privatisation motivations differ among nations, review of the literature demonstrates that its objectives, generally, centre around the motives of improving efficiency, productivity and competitiveness in the economy (Miller, 1997).

Accordingly, Bennett (2002) categorised privatisation objectives into four distinct but related goals (Table 2.3).

Table 2.3 Categories of Privatisation Goals and Objectives

Privatisation goals	Objectives
1) Political goals	<ul style="list-style-type: none">- Reducing the size of the public sector- Restoring or strengthening the private sector- Spreading share ownership more widely- Making productive enterprises more responsive and accountable to consumers
2) Efficiency goals	<ul style="list-style-type: none">- Increase productivity and microeconomic efficiency- Developing capital market
3) Fiscal Stabilization goals	<ul style="list-style-type: none">- Maximizing proceeds of sale- Reducing the future drain of subventions and capital contribution from Government revenue- Increase tax revenue from higher profits- Reducing Public debt
4) Resource Mobilization goals	<ul style="list-style-type: none">- Promoting foreign investment- Releasing limited state resources for investment in other sectors such as education and health

(Bennett, 2002:7-8)

In addition to the above Pheko (2013:25) “privatisation has the potential to increase the efficiency of organisations, reduce government budgetary costs, broaden direct ownership of productive assets, and reduce the role of government influence on organisations”.



Figure 2.1 Objectives and Stakeholder of Privatisation

(Starcher, 2001:80)

As illustrated in Figure 2.1, above, scholars such as Starcher (2001) and Piesse (2003) have highlighted that privatisation has a wide range of stakeholders. This adds to the complexity of the privatisation process, as different groups have different objectives. Despite the complex view in Figure 2.1, privatisation could be utilised to promote a wide range of objectives that could improve the welfare of an entire society, while minimising negative outcomes such as poverty, corruption, and inequality.

2.7 Privatisation Methods

Privatisation method holds a major role in the privatisation process and outcome. According to Cuervo and Villalonga (2000:584), "...the method of privatization determines who the new owners are and what the degree of political interference is that remains after privatization". Consequently, Abdel-Kader (2010) suggested that the choice of privatisation methods would depend on many factors, such as "...government objectives, market conditions, public opinion, the degree of development of the capital market, the characteristics of the sector and enterprise itself and its performance and the financial condition" (75). Based upon a similar premise Rondinelli and Iacono (1996) classified privatisation methods into four categories, based on ownership and control:

transfer of ownership, SOE restructuring, transfer of management, and delegation of responsibility.

Briefly, these four categories are as follows:

- 1) Transfer of ownership involves the complete sale of the firm to the private sector through restitution or auction or divestiture of the firm. This method holds many options that would alleviate the state from any future responsibility to the firm. The transfer could be conducted through many methods, depending on the objectives and the conditions of the firm or sector to be privatised.
- 2) SOE restructuring involves little transfer of ownership but much restructuring of the firm in an effort to improve its performance while maintaining it under public ownership. This method is associated with introducing competition, de-monopolising of the sector, and the restructuring of the market for commercial purposes. Pheko (2013:27) suggested, “Almost all privatisation usually leads to some form of restructuring”.
- 3) Transfer of management involves maintaining state ownership while outsourcing certain tasks or functions to the private sector through lease, management, and service contracting (Rondinelli, 2005). Savas (1987:68-69) highlighted the popularity of this method in the United States in “both sensitive (military) and local (roads, schools, and government offices) levels”.
- 4) Delegation of responsibility centres on the reduction or elimination of the public sector role in providing certain services or production of goods, hence to motivate private sector participation.

These categories are diagrammatically detailed in Figure 2.2 below to outline and emphasise some of the inherent difficulties and dramatic impacts which privatisation can have upon firms, along with external factors that have considerable influence, such as financial and economic markets, public opinion and the intentions of the new owners.

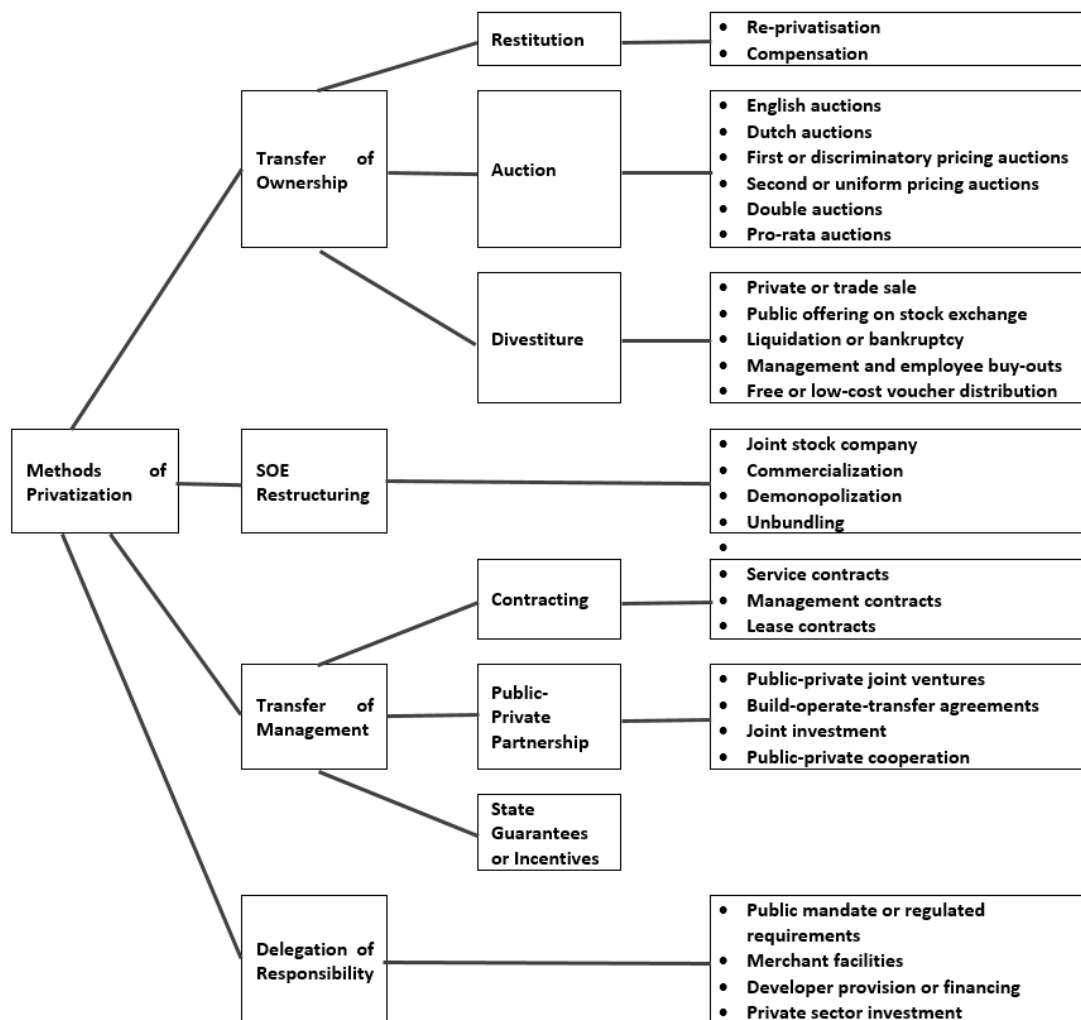


Figure 2.2 Methods of Privatization

(Rondinelli & Iacono, 1996:32)

2.8 Theoretical Perspectives on Privatisation

There is a substantial amount of literature that promotes privatisation which imposes various organisational change based on the alteration of three main areas: Ownership and Incentives, Competition, and Regulations (King, 1987; Littlechild, 1988; Vickers & Yarrow, 1988; Van de Walle, 1989; Bishop et al., 1994; Jackson & Price, 1994; Shirley, 1999; Bourguignon & Sepúlveda, 2009; Lin & Pleskovic, 2009; Parker, 2009; Nellis, 2012). Each of the three main identified areas will be explored separately.

2.8.1 Ownership and Incentives

Hemming and Mansoor (1988:1) defined privatisation as “...a transfer of ownership and control from the public to the private sector, with particular reference to asset sales”.

Such a view imposes new objectives on the privatised firm due to changes in the interest of the new owners. Government objectives are centred on the social welfare of the public as well as providing services, while private owners seek to maximise their gains through commercial interests (Vickers & Yarrow, 1988; Jackson & Price, 1994; Nellis, 2012). Theories that dominate the discussions related to changes of ownership and incentives are Property Right Theory, Public Interest Theory, and Principal-Agent Theory (Tan, 2012).

2.8.1.1 Property Right Theory

Alchian (1965:817) stated that Property Right is

[t]he rights of individuals to the use of resources.... in any society are to be construed as supported by the force of etiquette, social custom, ostracism, and formal legally enacted Laws supported by the states' power of violence or punishment.

In other words, public resources are owned by the masses and not by individuals. Publicly owned resources will be required to be administered by the government, who act as representatives of the public. The government, in turn, will authorise identified individuals to manage these common resources. Besley and Ghatak (2010:3) argued, “Property rights are not exogenously given - they evolve over time, driven by economic and political forces”. This results in what De Alessi (1987) described as such government agents or agencies having the authority to select how these resources will be used without recourse to the government. In other words, the masses are in effect “...giving ownership to another...albeit at arm’s length” (54).

Consequently, privatisation is associated with property rights in terms of public ownership, but as De Alessi (1987) highlighted the question becomes how can the owners (citizens) monitor the behaviour of these government nominated agents?, particularly “in countries where property rights do not exist or are ambiguously defined” (Khan, 2006:4).

Alchian (1969) suggested that the behaviour in firms that are neither private nor for profit differs from that are seeking profitability. He attributes this divergence to “stakeholders” in non-profit or public utility corporations having fewer incentives.... for responding to market competitive pressures for “efficient” or profit-making types of behaviour (352). In similar lines, Tsamenyi et al. (2010) argued that ownership change

would entail firms to be disciplined by the market, thus forces improvements on “productivity and allocative efficiency” (429). As so, Van Brabant (1995) postulated that the nature of property rights is dramatically changed by the concern for allocative efficiency, which focuses on the optimum utilisation of resource towards serving the objectives of the “owners/citizens”. Thus,

changes in the property rights from public to private would alter the relationship between those responsible for the firm’s decisions and the beneficiaries of its profits, thereby affecting the incentives structure of management, and managerial behaviour and company performance (54).

Furthermore, this change of relationship raises problematic issues in regard to the ability of the owners (citizens) to monitor whether the elected agents made the correct decisions in line with the objectives initially decided upon. The ability to monitor would critically depend upon the availability of information in a timely manner, which would enable the owners to judge the effectiveness, the quality and the outcomes of such decision making (Kim & Mahoney, 2005; Sanders & Chen, 2005; Khan, 2006; Marcelin & Mathur, 2015). These two fundamental incentives and information asymmetry, which are insurmountable in public firms, are interwoven with other theories.

2.8.1.2 Public Interest Theory

This theory centres on SOE’s objectives, as it is “believe[d] that society has some common interests whom the state is competent to identify and serve” (Khan, 2006:2). It is argued that SOEs aim is the welfare of the public, which means that serving the public is of greater importance than commercial gains (Schuster et al., 2013). It has been argued that

The bulk of the nationalised industries were established to serve a number of social as well as economic objectives. In fact the need to ensure that such enterprises behaved ‘in the public interest’ was one of the reasons for creating them in the first place ... Consequently, ... any move to denationalise such entities will have to confront the question of whether the social objectives inherent in operation of the body concerned are to be retained and, if so, how to achieve this (Wiltshire, 1987:39).

Of equal concern is the fact that many of the industries and business that were targeted for privatisation, such as utilities, were operating in a theatre of monopolistic

conditions, thus the worry was to transfer those monopolistic powers from public to private sector (Pettitt, 2014). According to Beesley and Littlechild (1997:13-14)

Privatization is intended to change motivations of management towards profit-making. A privately owned company will have greater incentives to exploit monopoly power commercially... a privatized company will be less willing to provide uneconomic services.

Thus, changing firms' ownership would trigger concerns related to the abuse of the monopolistic powers that those firms hold and whether it will continue to provide the service to the public if it is not economical. Consequently, Parker (2016:20-21) asserted, the creation of regulatory bodies, that are apart of ministerial departments, would enable "government to privatize monopolies while aiming to protect consumers and 'the public interest'".

Furthermore, ownership change also gives rise to the principal-agent theory in which the public is considered the principals and the government acts as agents (Vickers & Yarrow, 1988; Khan, 2006; Boggetti & Obermann, 2008; Yonnedi, 2010). However, the key argument in this relationship is whether the principals (public) have the ability to monitor and control the agents (government) or even have to influence their decisions?

2.8.1.3 Principal-Agent Theory

Within an organisational setting, the contract is considered to be the main tool that sets (implicitly or explicitly) the terms and conditions that affect the individual rights of all individuals within the organisation, including managers (agents). Therefore, the behaviour of the agents would depend upon these terms and conditions. This would suggest that contracts act as the tools that organisations (principals) use to influence the behaviour of the agents, to ensure that they work towards the principals' best interests (Jensen & Meckling, 1976). By contrast, "Managers may behave as reactive agents, opportunistically investing or not in long-term projects in order to promote and preserve their own economic and affective interests" (Chrisman & Patel, 2012:992).

However, as Martin and Parker (1997) suggest, in the public and private sectors, the principal-agent relationship has different layers and structure, whereby the public sector has a complex and multilevel structure whilst the private sector tends to have fewer structure levels (Figure 2.3). In the private sector, the simple form of relationship between the shareholders (principals) and directors (agents) is one whereby the

shareholders are provided with an opportunity for utilising contracts to influence the directors to manage the firm on their behalf. However, in the case of the public sector, the complexity level is magnified as the ultimate principals (the people) do not have control over the firm. This is because there are several levels of boards and agencies that work on behalf of the people trying to manage public firms. Such a complex structure with a large distance between the principal(s) and agent(s), leads to the distortion of the objectives and aims of public firms.

Nevertheless, many scholars have argued that in both sectors, public and private, difficulties surround the principal-agent relationship (Shirley, 1999; Yarrow, 1999; Khan, 2006; Chrisman & Patel, 2012).

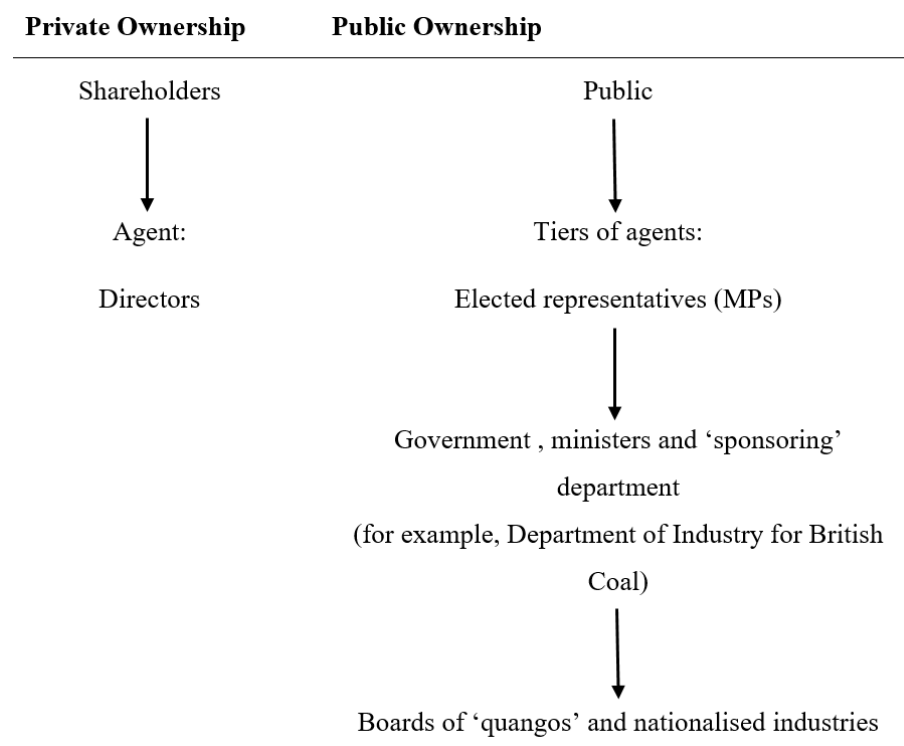


Figure 2.3: Information Flow between Principal and Agents (Public vs Private Sectors)

(Martin & Parker, 1997:11)

Even though in a private sector setting, the principal would have the ability to influence the agent through the contracts, this notion is not to be taken for granted, as agents tend to seek to increase their gains within the boundaries of the contractual agreement. For example, an agent might hire a friend or a relative who is less competent than another

applicants who is more competent. Such actions are indicative that the agent has acted not in the best interest of the principal but rather in his or her own best interest through hiring the relative or friend (Shirley, 1999; Yarrow, 1999; Khan, 2006; Yonnedi, 2010; Chrisman & Patel, 2012; Parker, 2016). Such actions can be manipulated and legitimised by the agent due to the principals not being involved or present during the recruitment process. Moreover, the principals would not have knowledge of the criteria and the selection process that led to selecting one applicant instead of another.

Such a predicament presents two main challenges: the information asymmetry in relation to the ability to monitor and control the agent and how to ensure appropriate incentives are in place to encourage positive outcomes.

(A) Information Asymmetry

Amagoh (2009:3) asserted, “Indeed, most incentive contracts literature start with the premise that there is an admitted principal-agent conflict from asymmetric information, opportunistic behavior, and monitoring costs in the contracting out process”. The problem of information asymmetry arises because the principals do not have access to essential appropriate information, the situational context or the circumstances that led the agent to make certain decisions. There is a time lag between the decision-making process and the outcomes of those decisions. Therefore, a principal would need to make certain operational decisions based on the current available information, whilst considering the circumstances and options that are available. However, at a later date the outcomes of such decisions will be available so it is then that the principals would have an opportunity to judge if the decisions were right or wrong. Equally, the agents can always justify their decisions as at the time of making the decision and based on the information that was available, those taking the decisions were the best placed to know what the most appropriate for the firm. This time lag and the difference in access to information hinder the monitoring and control of agents’ actions and decisions, thereby, allowing agents to increase their gains at the cost of the principals (Vickers & Yarrow, 1988; Martin & Parker, 1997; Amagoh, 2009; Parker, 2016).

Equally, Vickers and Yarrow (1988) argued that information asymmetry is of importance to certain sections of the principals, such as the employees who work in the public firm. For instance, whilst the public, in general, might not be interested in knowing how costs and operating decisions are made within a particular public firm,

obviously employees in such a firm would want to know such key information, in order to be able to assess whether the government (agents) are making the correct decisions within that organisation to safeguard the working conditions and interests of employees.

It is the access to information that allows agents (the government) to control and operate SOEs towards fulfilling their personal interests rather than the interests of the true principals (the public) (Shirley, 1999). Furthermore, information asymmetry problems become more evident in privatisation project, particularly for foreign investors, as they would be “at an information disadvantage about a local firm compared with domestic investors” (Choi et al., 2013:142).

Whilst there appears to be no solution to this dilemma, there are some suggestions that may help in reducing information asymmetry and providing the principals with as much information as possible and as early as practical. These include employing appropriate IT and operating systems, which can provide timely information, as well as, establishing and implementing standard procedures and an agreed code of conduct, which could limit the agents’ ability to manipulate and “bend” the rules to satisfy their personal interests (Vickers & Yarrow, 1988; Yarrow, 1999; Choi et al., 2013).

(B) Incentives

There would appear to be two main causes leading to inefficiencies in SOEs, according to Van de Walle (1989). The first is available support from the government in the form of subsidies and monopoly of the sector, which public sector managers take for granted, thereby allowing faults to develop in the production process within the firm. The absence of tools to hold managers accountable for their decisions allows a relaxed environment that tolerates inefficiencies. The second is a lack of incentives that motivate public managers to work harder towards achieving set goals in terms of services and operating costs (Khan, 2006; Parker, 2016), as Choi et al. (2013:4) suggested, “there may be fewer incentives for them [public employees] to engage in opportunistic behavior, in comparison to private firms”.

Jensen and Meckling (1976:5) emphasised that it would be very challenging to have agents make decisions fulfilling the interests of the principal at no cost. This raises a further potential problem related to offering incentives. Scholars suggest that a main solution to the principal-agent problem is in the ability of the principal to offer the agent a package (incentives) that is appealing in order to encourage and influence his or her

actions to work effectively towards the objectives of the principal (Vickers & Yarrow, 1988; Martin & Parker, 1997; Bognetti & Obermann, 2008; Choi et al., 2013). Marcelin and Mathur (2015:532) reported, in China, as a result of privatising SOEs, “privatized firms were granted natural rights to retained earnings and employees’ compensations. Employees’ interest became aligned to those of the firms, reaching thus their profit targets”.

However, whilst such a concept tackles the incentives issue in its simplest form, in large organisations, shareholders are as part of the principals, along with the board of directors, so the principal-agent relationship does not have clear boundaries. In addition, the shareholders’ interests could be different from those of the board members. The shareholders might be more interested in higher share prices, while the board could focus more on profits and market share. Such differences in interests among the principals affects the agents’ decisions and actions as to which interests to serve when managing the company (Alchian & Demsetz, 1972).

Al-Obaidan (2002:113) states that

In a state-dominated economic structure, state-owned organizations are influenced and controlled by political parties, government ministers, and public managers. Each economic agent views the Public interest as congruent with his/her own self-interest or the interest of the constituency he or she represents.

However, the public administrative structure does not allow for offering appealing packages (incentives) to agents as organisational positions tend to follow an identified and fixed employment scheme set by government. As a consequence, there are unclear structures and boundaries between the principals and agents (Figure 2.3) that reflect the difficulties in controlling and monitoring agents within SOEs, and at the same time allow agents and politicians to seek to increase their gains (benefits) at the cost of the public (the ultimate principals) (Vickers & Yarrow, 1991).

At the end, Bognetti and Obermann (2008:468) argued that theories, such as property right and principal-agents theory

are all analytical tools utilized to compare the performance of private and public enterprises to find how these different types of firms behave, how and in what direction incentives operate in different organizations, and how the governance might influence managerial behaviour.

A further influential factor that must be taken into consideration when evaluating the effects of privatisation upon firms is competition.

2.8.2 Competition

According to Beesley and Littlechild (1997), competition is the most significant factors that force firms towards maximising consumers' gain and reduces monopolistic powers. Nevertheless, it is important to highlight that private ownership does not guarantee that the sector is open to competition and that public ownership does not necessarily mean monopoly of the sector. Also, (Nellis, 2012:11) argued, "perhaps it was not privatization per se that accounted for the perceived positive operational changes, but rather exposure of the firm to competition or some other policy element introduced by general liberalization".

According to Vickers and Yarrow (1988), competition in the public sector brings two main advantages. The first advantage is the balance between allocative efficiency and scale economies. Allocative efficiency focuses on balancing the production of outputs to inputs. In other words, outputs would be in an appropriate ratio to inputs, thus reflecting optimum resources utilisation (Jackson & Price, 1994; Marcelin & Mathur, 2015). Thus, it could be suggested that privatisation would boost allocative efficiency efforts by changing the company's goals towards commercial gains and "higher economic growth" (van Riemsdijk, 2010).

The second advantage is the behaviour change imposed on SOEs when competing with the private sector. It is perceived that introducing competition into SOEs has many advantages, regardless of whether they are privatised or not. Competition provides more options to consumers, which in turn could lead to a reduction of sales of products that are of less demand and value to consumers (Marcelin & Mathur, 2015). Therefore, public firms would need to optimise the utilisation of all available resources (allocative efficiency). Furthermore, competition allows for the flow of information, as firms competing in a sector would publish and share certain information, which is contrary to the secrecy that surrounds public firms (Vickers & Yarrow, 1988).

Additionally, it is suggested "...that introduction of competitive pressure into former monopolistic areas have led to greater cost reduction than those initially thought feasible" (Yarrow, 1999:159). Furthermore, competition promotes innovation and

rivalry in gaining higher performance outcomes (Vickers & Yarrow, 1988; Yarrow, 1999; Marcelin & Mathur, 2015). Nevertheless, it is essential to think of competition and regulations as a complement to one another rather than alternatives.

2.8.3 Regulations

Issues of regulation go hand in hand with achieving privatisations objectives and goals, particularly within monopolistic sectors. Therefore, Vickers and Yarrow (1988) stressed that changes in policies would be fundamental to stimulate the economic environment, especially if competition and incentives are absent or weak, while, Yarrow (1999) emphasised that reform efforts evolve around freeing up economic sectors. Schuster et al. (2013:96) argued,

focusing on privatization alone is not adequate to get a full picture... Privatization was only one dimension of a phenomenon that also pertained to the deregulation and liberalization of network services as well as the cutback of industry subsidies.

According to Yarrow (1999), the required scope of deregulation would depend on the sector and condition of the SOE that is to be privatised, along with information about market condition (monopolistic or not), existing regulations and policy in the sector, the condition of the firm to be privatised, and the type of support provided to the firm (financial or subsidies). However, he suggests that minimal reform would be required in situations where firms already operate under strict government control. Nevertheless, de-regulation is inevitable if and when the transfer of ownership (privatisation) takes place (ibid).

When it comes to deregulation, generally ruthless negotiations take place between the government and private investors. This is because the government aims at protecting public interests and focuses upon reducing and eliminating the opportunity for private investors to exert monopolistic power in any sector, particularly in public utilities that are “often associated with market imperfections” (Schuster et al., 2013:96). On the other hand, private investors strive towards maximising and protecting their investments. Hence, fierce debates and discussions arise when establishing important regulations, such as prices, services, product quality, and profits. Even so, such negotiations are affected mainly by the amount of information that the government has about the sector conditions and behaviour. Therefore, the greater the government knowledge, the better (Vickers & Yarrow, 1988).

It is important to consider the cases where a service is being privatised, such as healthcare, as private investors would wish to provide such services at locations of commercial significance. This means there could be a negative outcome because, at places of low commercial significance, health services might not be provided. In such instances as this, regulation policies would have to be enforced in order to protect the public interest, by utilising some policy that prevents such situations arising (Marcelin & Mathur, 2015).

Similarly, Yarrow (1999) highlighted that liberalisation efforts increase when privatising monopolistic sectors and particularly within the utility sector, due to their importance to the public. It takes long and extensive efforts in reviewing and analysing the market before the transfer of ownership process can be shaped. Therefore, government support (including subsidies) would need to be reviewed and labour issues addressed, as well as the question of how and when new competitors can enter the market and what would be the pricing policy (van Riemsdijk, 2010; Schuster et al., 2013; Marcelin & Mathur, 2015).

Despite, the fact that the required level of liberalisation would be different from one country to another and from one sector to another, a review of the literature shows that regulating prices has been one of the most controversial issues that governments had to deal with. This is because regulating prices, particularly in monopolistic sectors, is a fundamental tool that provides governments with the ability to prohibit monopoly power from private firms being used in the public sector (Hantke-Domas, 2003).

2.8.3.1 Price Regulations

As pricing plays a fundamental role in the privatisation of any sector because it is directly linked to private investors' objectives, whilst at the same time linked to the safeguarding and welfare of the public, favouring one side would come at the cost of the other. This is a difficulty that governments would need to address and overcome in order to be able to privatise their SOEs, whilst at the same time motivating other investors to enter the market and compete (Vickers & Yarrow, 1988; Bishop et al., 1994; Jackson & Price, 1994; Yarrow, 1999). According to Nellis (2012:14) "consumers also express fears of price increases" as a result of privatisation. Existing literature reveals that most governments have found the answer to regulating prices through two main strategies: Price-Cap and Rate-of-Return.

The Price-Cap policy focuses on promoting production efficiency (King, 1998), whilst at the same time maintaining service quality, as well as to motivating regulated firms within the market (Sibley, 1989). Sappington and Weisman (2010:229) explained, in setting the price, “the regulator initially studies the firm’s capabilities and its operating environment in order to determine the revenues that would likely allow the firm to secure reasonable earnings”.

Many scholars, such as Littlechild (1983) whose theory became known as ‘RPI-X’, worked at developing models following this concept. The influence of this model is evident by its adoption in pricing many privatisation projects in the UK, for example, British Telecom (BT) (Sappington & Weisman, 2010).

The notion of the Rate-of-Return policy centres upon setting the price at a point where it would generate a “fair” return rate on capital investment using the formula.

$$\text{Rate of Return} = [(Return - Capital) / Capital] \times 100$$

Sappington and Weisman (2010:229) stated, “prices are set to provide the firm with a reasonable opportunity to earn a fair rate of return on its regulated investments”. The set prices are to cover both operating costs and “an interest charge on the book value of the firm’s operating assets” (Nezlobin et al., 2012:980). However, such a policy has raised extensive debate questioning what would be considered as a “fair” rate. Who would decide what is a 'fair rate'—the government or the private owners? What would constitute capital? Could the firm influence prices through increasing capital investments?

As a consequence of these debates and differing opinions, many models have been developed in an attempt to provide answers that would be acceptable and favoured by both government and private owners. An example of such models is that of Averch and Johnson (1962), whose so-called ‘A-J Model’ has gained in popularity (Vickers & Yarrow, 1988).

2.9 Privatisation and Organisational Change

It has been argued that “change is the norm in organizational life” (Connor, 2003:1); many scholars highlight that in current global conditions, firms are facing rapid and intensifying forces to cope with a continuous on-going changes, whereas in the past firms had to deal with a much slower gradual incremental change. As Coram and

Burnes (2001:94) proclaimed, "...organisational change appears to be happening with increasing frequency and magnitude in both the public and private sectors".

As a consequence of such rapid and frequent demands, organisations that privatise must undergo fundamental changes as their aims, objectives, structure, and other critical aspects of their operation and culture are impacted upon. According to Pheko (2013:26)

Regardless of the form that privatisation takes; similar to other major organisational interventions the change is likely to alter the strategic direction, the culture, systems and/or structure of the organisation (Kezar, 2001; Todnem, 2005).

Equally, Newman and Nollen (1998) argued that in effect, with privatisation, a new organisation will be produced. Such radical change would involve a drastic change in the 'core values' and 'deep structures' of the organisation. Furthermore, based on their research, they proposed analysing these radical changes in terms of change of the firm's "...ownership; their strategies, structure, and systems; and their core values" (154).

Similarly, Parker (1993:49) reported: "...that performance improvements are associated with significant changes in organizational structure, objectives, management, labour relations, communication and reporting systems, and the nature and location of the business, is generally confirmed". Nevertheless, Pheko (2013) emphasised that it is fundamental to understand that various levels of acceptance of change should be anticipated from people within the privatised firms. Also, change will go at different pace while might require some experimentation. "This is unavoidable because the new privatised organisation might have to get rid of the organisational structures that were only appropriate for the public enterprise" (ibid:27).

As a result, privatisation places privatised firms under "external influences" which impose certain changes for future survival. This, in turn, requires "... management with long term vision [to] anticipate this change (whilst still state owned) and prepare strategies for managing it and ensuring the success of the privatization" (Salama, 1995:13-14).

2.9.1 Organisational Change Theories and Approaches

Stickland (1998:14) stressed that "the problem with studying change is that it parades across many subject domains under numerous guises, such as transformation, development, metamorphosis, transmutation, evolution, regeneration, innovation,

revolution and transition to name but a few”. Given the extent of the literature and existing theories of organisational change and models, a target literature review has been conducted to identify most of those that pertain to implementing organisational change, as this research focuses on the privatisation implementation phase.

2.9.1.1 Lewin’s Theories of Change

Kurt Lewin has been recognised “for the development of field theory, group dynamics, action research and the three-step model of change” (Batras et al., 2014:233). It has been suggested that his work could be applied at different levels, whether “individual, group, organisation, or even society” (Burnes, 2004:981).

(A) Field Theory

Field theory, according to Back (1992:53), looks at the world as an arena for the action of forces, where the objects are simply specific places for the interaction of these forces”, which emphasis that importance of mapping group behaviour within the context in which it occurs (Burnes, 2004). Moreover, it encapsulates different factors in the environment within a given time and forces, which could be internal, such as the organisation’s structure, strategy, management, and employees or external, such as market and regulations. Thus, understanding these forces “would enable practitioners to understand why groups act as they do and what forces would need to be diminished or strengthened to bring about planned change” (Batras et al., 2014:233).

(B) Group Dynamics

Group dynamics, as the name suggests, emphasises the collective characteristics of the group, which shapes the behaviour of its members, causing it to respond (behave) in a certain way. Thus, efforts of change should be focused on the group rather than on individuals to elicit more desirable behaviour (Kippenberger, 1998). Nevertheless, Burnes (2004:983) highlights that “understanding the internal dynamics of a group is not sufficient by itself to bring about change” as a process would be required for individuals to undergo change, which led Lewin to develop Action Research and the 3 – Step Model of Change.

(C) Action Research

Action research was developed based on the queries of practitioners, who have the will and desire to solve problems, yet, but face difficulty in transforming this will into “organized, efficient action” (Lewin, 1946:34). The approach centres on accurate analysis of the current situation, identifying all possible solutions, then selecting the most appropriate one (Burnes, 2004). Nonetheless, Batras et al. (2014) emphasise that “there needs to be a ‘felt-need’ for change, a realization by the group that change is necessary” (233) as the approach requires participation at a group level rather than individual level and targets the behaviour that is desired to be changed.

(D) 3–Step Model of Change

Lewin acknowledged that change could be short-lived as he stated that

After a ‘shot in the arm,’ group life soon returns to the previous level. This indicates that it does not suffice to define the objective of a planned change in group performance as the reaching of a different level. Permanency at the new level, or permanency for a desired period, should be included in the objective (Lewin, 1947:34-35).

This realisation led him to develop the 3–Step Model of Change. The model consists of three steps; unfreezing, moving, and re-freezing. Table 2.4 below highlights the details of each step.

Table 2.4 Lewin's 3–Step Model of Change

Step	Description
1	Unfreezing—involves creating dissatisfaction with the status quo, benchmarking against other organizations, internal performance barrier diagnosis and ‘survival anxiety’ that exceeds ‘learning anxiety’ (a realization that the potential benefits of change outweigh the potential negatives associated with the process) (Schein, 2010).
2	Moving—is the implementation and trialling aspect of change, involving research, action and learning. Actions may include redesigning roles, responsibilities and relationships, training and up-skilling, promoting supporters/ removing resisters.
3	Refreezing—organizational norms, culture, practices and policies becoming realigned to support the continuation of the change. For example, aligning pay and reward systems, reengineer measurement systems, create new organizational structures (Lewin, 1997c).

(Compiled by author from Batras et al., 2016: 233-234)

Nonetheless, Burnes (2004:986) reports that “like other aspects of Lewin’s work, his 3-Step model of change has become unfashionable in the last two decades (Dawson, 1994; Hatch, 1997; Kanter et al., 1992)”, yet, building on his work, several “multi-phase models” were developed (Armenakis & Bedeian, 1999:301), such as Kübler-Ross’ (1969) 5-Stage model – ‘Change Curve’, McKinsey 7-S model by Peters and Waterman (1982), Bridges (1991) transition model, Judson (1991) 5-Phases model, Kotter’s (1995) 8-Steps Model, and ADKAR Model by Hiatt (1998). Nonetheless, “despite some differences in these models and frameworks, one finds remarkable similarities among them” (Fernandez & Rainey, 2006:169).

2.9.1.2 Theories of Organisational Culture

Deal and Kennedy (1982:4) stated that “whether weak or strong, culture has a powerful influence throughout an organization; it affects particularly everything”, which implies that any organisational change would, in turn, constitutes a cultural change. Further, Tichy (1983) proposed that for organisation strategic change to be effective, it would need to encompass three main areas (strands); Technical, cultural, and Political.

The technical strand is associated with aligning the organisation structure and strategy based on assessing the environment that the organisation is operating in, the cultural strand is linked to enforcing an adequate culture through people selection and developing a desired organisational culture, and the political strand is associated with the distribution of power resources within the organisation (Salama, 1995).

In a similar vein, Schein (2004:8) stated that

perhaps the most intriguing aspect of culture as a concept is that it points us to phenomena that are below the surface, that are powerful in their impact but invisible and to a considerable degree unconscious. In that sense, culture is to a group what personality or character is to an individual. We can see the behavior that results, but often we cannot see the forces underneath that cause certain kinds of behavior. Yet, just as our personality and character guide and constrain our behavior, so does culture guide and constrain the behavior of members of a group through the shared norms that are held in that group.

Such representation reflects the importance of embedded culture within an organisation, which in turn could facilitate or hinder organisational change.

2.9.1.3 Processual Approach to Organisational Change

Many scholars, such as Isabella (1990); Pettigrew (1991); Dawson (1994); Pettigrew et al. (2001), suggested that change is dynamic and evolve throughout time. Studying organisations as change occurs is an idea that has been supported by many (Pettigrew, 1987; Dawson, 1994; Nelson, 2003). Furthermore, Isabella (1990:8) stressed that “as a change unfolds, different assumptions and orientations are required at different times in the process”. Pettigrew (1987) argued that viewing change as a static event based on a snapshot of time would

Fail to provide data on the mechanisms and processes through which changes are created. Studies of transformation are, therefore, often preoccupied with the intricacies of narrow *changes* rather than the holistic and dynamic analysis of *changing* (655).

Further, Quinn and Kimberly (1985:303) highlighted that

When a change is initiated, existing patterns are disrupted and this results in a period of uncertainty and conflict. If key people accept and support the change, novelty turns to confirmation and eventually the innovation is routinized. As the process unfolds, managers are required to take on different orientations and styles.

Equally, Pheko (2013: 26) asserted that uncertainty that is associated with the transformation process from the public to the private sector usually leads members of the privatised firm “pull towards conformity with the past norms and practices of the public enterprise”.

Whilst the above discussion has shown the existence of a number of change models and theories, Coram and Burnes (2001) stressed that there is no one theory and/ or approach that could be suitable to serve all objectives or situations. This is in line with Dunphy and Stace (1993:905) who endorsed proposed the idea that “...advocates of particular change ideologies mostly claim that their model is universally applicable. However, turbulent times demand different responses in varied circumstances”.

Equally, it has to be recognised that as change occurs within the organisational context, numerous questions arise about the difficulties, one such is resistance to change, along with the impact such changes may have upon firm’s workforce, which will need to be addressed.

2.9.2 Resistance to Change

Dent and Goldberg (1999:25) stated, “surprisingly (to us), we continue to encounter a mental model that, in our experience, is almost universally accepted in organizational life—people resist change”. Further, Bovey and Hede (2001:534) highlights that “resistance occurs because change involves going from the known to the unknown”.

It has been suggested that conflict could lead to resisting change as Burns and Scapens (2000) advise that conflict between values introduced by the new change and existing ones could result in resisting the change, They explain that “resistance can be viewed in terms of the individual managers’ reluctance to conform to new modes of thinking and behaviour, either by choice or through difficulty (in adapting)” (16). Along the same line, Dawson (1994:174) affirms that

the values postulated by and implicit in, the proposed change must be congruent with the values and assumptions that comprise the organization’s culture. Where there is conflict between the two, the change is likely to be resisted. The responsiveness of an organisation’s culture to change can therefore be a crucial determinant of the process and outcome of organizational change.

Burns and Scapens (2000) divide resistance to change into three interrelated types. The first is “formal or overt resistance” that develops with the presence of competing interests. The second is resistance that develops due to absence or lack of capabilities of individuals to handle the change, due to lack of required knowledge or experience. The third is based on “mental allegiance” that is rooted in the norms and culture of the status quo.

Table 2.5 below, shows a summary by Dent and Goldberg (1999) in a review of five authors Aldag and Stearns (1991), Dubrin and Ireland (1993), Griffin (1993), Kreitner (1992) and Schermerhorn (1989) of the causes of resistance and strategies for overcoming it.

Table 2.5 Resistance to Change: Causes and Strategies

<i>Authors</i>	<i>Kreitner (1992)</i>	<i>Griffin (1993)</i>	<i>Aldag & Stearns (1991)</i>	<i>Schermerhorn (1989)</i>	<i>Dubrin & Ireland (1993)</i>
Causes of resistance					
Surprise	X				
Inertia	X				
Misunderstanding	X	X	X	X	
Emotional side effects	X	X	X	X	
Lack of trust	X	X	X	X	
Fear of failure	X				X
Personality conflicts	X	X	X	X	
Poor training	X				
Threat to job status/security	X	X	X	X	X
Work group breakup	X	X	X	X	
Fear of poor outcome					X
Faults of change					X
Uncertainty		X	X	X	
Strategies for overcoming					
Education	X	X	X	X	
Participation	X	X	X	X	X
Facilitation	X	X	X	X	
Negotiation	X	X	X	X	X
Manipulation	X	X	X	X	X
Coercion	X	X	X	X	
Discussion					X
Financial benefits					X
Political support					X

(Dent & Goldberg, 1999:28)

Clearly Table 2.5 shows that certain causes of resistance have not gained acceptance by all authors; for example surprise, inertia, and poor training were suggested by Kreitner (1992) and fear of poor outcome and faults of change by Dubrin and Ireland (1993). Moreover, all other causes have received strong agreement among authors. On the other hand, Dubrin and Ireland (1993), uniquely, advocated that discussion, financial benefits, and political support could be utilised as strategies for overcoming resistance, whereas other strategies were proposed by all five authors.

Further, Kotter and Schlesinger (2008:8) argued that in dealing with resistance, choice of the approach would depend on the “strengths and limitations” of each approach as they suggested different methods while highlighting the advantages and disadvantages of each method as shown in Table 2.6 below.

Table 2.6 Methods for dealing with resistance to change

Approach	Commonly used in situations	Advantages	Drawbacks
Education + communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Can be very time consuming if lots of people are involved.
Participation + involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Can be very time consuming if participators design an inappropriate change.
Facilitation + support	Where people are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time consuming, expensive, and still fail.
Negotiation + agreement	Where someone or some group will clearly lose out in a change, and where that group has considerable power to resist.	Sometimes it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it alerts others to negotiate for compliance.
Manipulation + co-optation	Where other tactics will not work or are too expensive.	It can be a relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated.
Explicit + implicit coercion	Where speed is essential, and the change initiators possess considerable power.	It is speedy and can overcome any kind of resistance.	Can be risky if it leaves people mad at the initiators.

(Kotter & Schlesinger, 2008:7)

Nevertheless, Thursfield (2015) highlights that the main foundation that supports resistance is Knowledge. “In summary, resistance involves struggles to carve out autonomy and freedom within the labour process, whether this is through misbehaviour, sabotage or the exercise of knowledge” (992).

2.10 Privatisation and Employees

According to Pheko (2013: 31), “the literature indicate that many emerging economies that engage in privatisation usually only look at the economic advantages and disregard the way employees will cope with the changes necessitated”. A review of literature demonstrates that privatisation has impacted employees in many different ways, such as by strategic changing in the types of employment and jobs; recruitment methods and criteria; productivity and performance evaluation methods; redundancies, incentives and promotions, flexibility and workloads, wages and benefits, and job security (Becker, 1992; Rapacki, 1995; Geldstein, 1997; D'souza & Megginson, 1999; Al-Buridi, 2008; Belkhir & Ben-Nasr, 2013). Bishop et al. (1988) highlighted that in the UK, between 1979 and 1988, employment fell dramatically throughout different industries, for instance, “71 percent in British Steel, 55 percent in British Coal, 36 percent in British

Rail, 18 percent in BG and the electricity supply industry, and 17 percent in BA” (655). Additionally, Birdsall and Nellis (2003:1617) emphasised that

[the] majority of people surveyed in 2001 in 17 countries of Latin America disagreed with the statement “the privatization of state companies has been beneficial ...,” and the extent of disagreement was much greater than three years earlier. More than two thirds of 1,600 Russians interviewed in 2001 thought that they had lost more than gained from the privatization of state property; only 5% said the opposite. Of Sri Lankans polled in 2000, most thought that privatization had increased poverty and raised the cost of living, and over 60% opposed the privatization of the remaining state-owned firms.

From the above, it appears that globally, workforces report numerous negative impacts upon them and their jobs since privatisation took place.

In addition to the above, Savas (1987) added that the need for financial savings is a further factor that has had a negative effect upon the workforce and their working conditions because savings are achieved by private firms employing fewer people than the number governments would employ to provide the same service. For example, according to the National Commission for Employment Policy, in 1988, in Los Angeles County, Lopez-de-Silane et al. (1995) reported that 36 per cent of saving was reported to be achieved through the reduction of the workforce, which was estimated to be \$133 million. Van de Walle (1989) argued that in developing countries, the main drive for the divestiture of SOEs to the private sector had been its potential positive impact upon public finances.

However, critics of privatisation have emphasised its impact upon the poor and their living conditions by highlighting various negative outcomes in certain contexts. Firstly, it could lead to redundancies of low paid employees, or higher paid employees becoming bankrupt due to decreases in government subsidies. Some studies, however, refute this claim, arguing that employees of SOE are not categorised among the poor in most countries, so privatisation is unlikely to affect them, "...even if it may bring about real hardship for certain laid off employees" (Connor, 2003:6). Secondly, privatisation may affect the poor if the goods or services provided by the SOE become less available or become no longer accessible to them. For example, public transportation or health care could be provided by the SOE for the people in an area or a remote location where the new private operator might not see profitability in providing services, or it could

lead to increased prices after the privatisation process is completed, to compensate for the shortage in demand.

Based upon the evidence cited, it would naturally be expected that the people who are affected and impacted negatively by privatisation would oppose privatisation, especially if the effects are spread over a specifically identified small group. For instance, district nurses might oppose the withdrawal of health care from remote, non-financially viable areas. Equally, more aggressive opposition to privatisation has been reported in some cases where privatisation has been expected to lead to a cutback in personnel. Such opposition is reported to be led by labour groups, who engage in union marches and strikes to demonstrate the strength of their opposition. Whilst, obviously governments could employ different tactics to overcome such opposition, it is very important to state the vast potential that the workforce and their sympathisers can have for hindering and/or ending the privatisation process. For example:

In Uruguay, a plebiscite revoked a privatization Law narrowly passed by parliament; South African Nongovernment Organization... and community activists have formed an Anti-privatization League; in Mexico President Vincente Fox has been unable to make any progress on a promise to begin privatization of the energy sector; and in India parliamentary opposition halted (temporarily) the national privatization program in September of 2002 (Birdsall & Nellis, 2003:1617).

What has also been highlighted is the crucial role of the manager in the privatisation process, which may be positive or negative, For example, as Stan (1995:435) affirmed “...many managers of state enterprises prolong privatisation negotiations to such an extent that closing a deal becomes a real struggle for investors”. Some countries have labour unions, which allowed them to organise their employment market and create opposition to privatisation programmes. Such an assertion is supported by Hensley and White (1993:77) when they reported that “...according to the Malaysian government in 1991, some of the key problems that the Malaysian programme has encountered was the resistance of the workers in the public sector which has led to the delay of several planned privatisation”. Further, Aghion et al. (1994:1358) highlighted that “...workers will resist the necessary adjustment of employment; they tend to have an interest for higher wages, keeping retained earning low and not building capital so that asset stripping may occur”. Nonetheless, Nellis (2012) asserted that

...obviously, loss of jobs is always a painful blow for the affected workers. But the fact is that overstaffing and low labour productivity levels have long plagued SOEs, and that in most cases governments have proven unwilling or unable to deal with the issues either by rationalizing employment or by subsidizing the firms sufficiently to allow them to fulfill their functions and cover their costs while maintaining excess labour. Removal of excess labour is a sine qua non if firms ... are to be placed on a sustainable and subsidy-free financial footing.

Despite the assumption that privatisation leads to better efficiency and financial outcomes, it has been negatively associated with “...harming the poor, the disenfranchised the workers, and even the middle class; throwing people out of good jobs and into poor ones or unemployment; raising prices for essential services; giving away national treasures” (Birdsall & Nellis, 2003:1617). This highlights the difficulties and impacts that privatisation may have upon various sections of society. The difficult problem is for governments to achieve a fair balance when developing strategies for implementing a policy of privatisation for whatever reasons and purpose, as reflected by the World Bank report (2009) that privatisation yield “important distributional effects—a range of winners and losers” (Lin & Pleskovic, 2009:4), thus needs to be carefully evaluated and that losers to be compensated (Bourguignon & Sepúlveda, 2009).

2.11 Privatisation Global Experience

According to Nellis (2012:1-2),

Worldwide, between 1979 and the end of 1999, more than 130 countries divested, or turned over to private management, at least 75,000 medium and large enterprises formerly owned and operated by the state... [yet], a bit more than a decade later, privatization is perceived in a less triumphant light.

Reviewing the literature will demonstrate different privatisation experiences throughout the world. Equally, examining different countries' experiences will highlight and gives an opportunity to reflect upon the complexity and magnitude of the privatisation phenomenon. Therefore, this section will review the experiences of privatisation in both developed and developing countries.

2.11.1 Privatisation in Developed Countries

This sub-section focuses on privatisation programmes and their impact undertaken by the UK, USA, France, Spain, and Germany, in order to identify negative and positive factors for comparison with developing countries' experiences.

2.11.1.1 *Privatisation in the UK*

Privatisation in the UK started under the leadership of Margaret Thatcher's government in the 1980s, to reduce the size of its public sector holdings. Sir Keith Joseph, Secretary of State for Industry at that time, explained the underlying idea of the UK government's privatisation programme as follows:

We came to office convinced that the structure of the nationalised industries contributed to the national malaise . . . in all too many cases, particularly when the nationalised industry commanded a monopoly, those concerned did not see themselves as living under the healthy necessity of satisfying the customer in order to survive; they had no incentive to cut costs to beat competitors; they were free of the risk of liquidation . . . Such was our diagnosis; what was our aim? Our aim is to abate inflation and to create a prospering social market economy-that is, a mainly free enterprise economy (Newman, 1986:1)

On similar lines, Miller (1994) postulated that the reasons behind the unsatisfactory low performance of SOEs in the UK were clearly (a) the absence of competition in main industries, (b) limited choices for consumers, (c) high prices for goods and services, (d) low customer satisfaction, (e) "...low employee morale and productivity, political manipulation, management indecisiveness and economic stagnation". Moreover, he highlighted that in the UK's case, the magnitude and anticipated outcomes of the privatisation programme went far beyond the transfer from public to the private sector, as the aim was, in fact, to create a free market economy in the UK.

Also, Al-Obaidan (2002:110-111) highlighted that many

suggest that privatization can reduce the inefficiency arising from public ownership. First, by reducing the frequently high degree of public interference in public enterprise operations, privatization may improve the quality of managerial decision making. Second, by making managers responsible to profit-seeking shareholders rather than civil servants, privatization may further improve managerial incentives to enhance the competitiveness of the firm. Third, privatization imposes the discipline of the financial markets, which stimulates enterprises to operate more efficiently.

Furthermore, it has been emphasised that the setting of SOEs' share prices was a key difficulty that faced the privatisation process, because state owned firms had never been traded previously, thereby imposing difficulties in determining realistic prices. The dilemma was that if governments set the share cost at a low price to be appealing to buyers, it would result in under-valuing the total worth of the firm, decreasing government's revenue from the sale. Consequently, the sale of public sector assets could result in loss of revenue that could have been used in other public sectors or used to reduce the national debt. Indeed, most of the shares were sold at well below the market prices, due to the fact that though shares could have been sold at full value when a firm is profitable, this was very seldom the case of public sector assets, or presented to the buyer (Miller, 1994).

Equally, the complexity of the process increases when considering the privatisation of the monopolistic industry. For this reason, regulatory arrangements are generally put in place to prevent an acute increase in prices and to ensure good customer services. For instance, during the sale of BT in 1984, the UK government established the Office of Telecommunications with the objective of monitoring the market, thereby preventing BT from practising its monopolistic powers. In order not only to do but also to be seen to do this, the UK government permitted Mercury Communications Ltd., a new telecommunication company, to enter the market and compete with BT in an open market (Miller, 1994).

The evidence accumulated from the literature review demonstrates that profitability is not the only measure of the success of privatisation, or performance indicator of a privatised firm in the UK. For instance, consumers' feedback and evaluation of the privatised firm is taken into account, although most of the evidence in this area is anecdotal. However, the magnitude and overwhelming volume of information conveyed in this way are seen as informative. For example, there was a significant increase in the range of BT services and products with reported increased customer satisfaction. Equally, British Airways became one of the world's most efficient and best customer satisfaction airlines after being associated with poor services in the past. In a similar vein, the UK National Freight Company expanded its distribution centres to new locations in order to provide services to its customers. As a consequence, Miller (1994:129) concluded that:

The British experience with privatisation seems to show that exposing industries to the financial disciplines of the marketplace generally creates better managed companies that produce higher quality goods and services and provide enhanced value to their customers.

According to Rhodes et al. (2014:11) “...the proceeds from privatisations were high from the mid-1980s until the mid-1990s. They peaked in 1991 at £11.8 billion. Since 1997, the proceeds from privatisation have been limited due to the small number of privatisations which have occurred” (Figure 2.4).

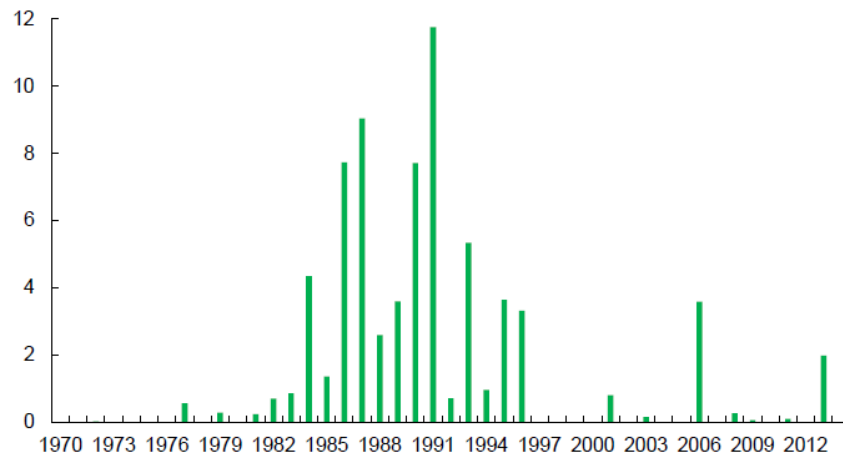


Figure 2.4 Privatisation Net Proceeds (£ billions)

(Rhodes et al., 2014:11)

2.11.1.2 United States of America

Privatisation in the USA took a different form from that of the UK's transfer of SOEs into private ownership, as most US privatisations took the form of contracting out public services to private providers (Lopez-de-Silane et al., 1995). This means a city or county would contract a private company to clean parks and streets, operate hospitals, run airports, etc.

The main thrust behind this strategy was the savings associated with contracting-out, hence saving governments' money, i.e. the taxpayers' money. Such savings are achieved as private contractors use fewer people than governments provide the same service (Savas, 1987). According to Dudek & Company (1988:13)

Both the number and size of municipal government contracts with private and not-for-profit firms have mushroomed in recent years. Between 1972 and 1982, for instance, the total dollar amount of local

government contract awards with private firms about tripled from \$22 billion to \$65 billion. And every indication is that this number has continued to rise since 1982.

Below, Table 2.7 details the service and the percentage of USA cities that were contracting out various services in 1987.

Table 2.7 Percentage of Cities Contracting-Out Services in 1987 (USA)

Service	Percentage of All Cities/Counties Contracting Each Service
Corrections	7%
Crime Patrol	7%
Data Processing	31%
Hospitals	16%
Legal Services	36%
Payroll	36%
Recreational Facilities	19%
Refuse Collection	59%
Solid Waste Disposal	59%
Street Repair	29%
Traffic Signal Maintenance	32%
Transit Services	17%
Utility Billing	11%
Vehicle Maintenance	21%
Vehicle Towing	45%

(Dudek & Company, 1988:13)

However, Lopez-de-Silane et al. (1995) postulated that in the USA private contracting is less popular than in-house provision, because the factors determining whether a public service should be conducted in-house or contracted out revolved around two main points: (a) political benefits and (b) efficiency (social objectives). They explained that the political benefit is the support that politicians gain from public employees. From this perspective, since providing services in-house increases the number of public employees, it increases the volume of their support. Unless taxpayers pressure politicians into reducing costs, politicians, in general, are opposed to the contracting out of public services. Supporting this view,

Stigler's (1971) theory of regulatory capture, Boycko, Shleifer, and Vishny (1996) and Shleifer and Vishny (1994) argue that the pursuit of political benefits is the principal reason for the pervasive political control over firms around the world.Politicians seek to win the support of unions, which are the major beneficiaries of in-house provision, or at least avoid their active opposition (Lopez-de-Silane et al., 1995:450).

The efficiency view argues that due to different objectives between government (social welfare) and private owners (profits) if public employees provide the service, they could be more influenced by a politician to achieving such social goals than private contractors (Hart et al., 1997). Furthermore, when it comes to contracting, the reality is that it becomes a trade-off between social objectives and providing services at the lowest possible costs. Where financial pressure is high, governments would probably favour privatisation. Therefore, "Clean" government laws are a major contributor to privatisation decisions. A poor government is less likely to care about the quality, safety, and security aspects of employees when contracting out, as it would be more driven by the savings of the contract (Lopez-de-Silane et al., 1995).

Another view that has been identified in the literature is the ideological view, which "... reflects that voters hate big governments and favour privatisation" (ibid:448). Although this may be an accurate summation, it is, however, difficult to envision that voters would go into the technicality of the way the service is provided to them and whether it was in-house or by a private contractor. Most probably, the reality of the situation is that voters will care more about the actual service itself and its associated costs.

Further, Lopez-de-Silane et al. (1995) suggested that another main contributor to maintaining in-house provision is the difficulty experienced when writing a "complete contract" that would identify precisely what the contractor is supposed to do in all conditions and all different situations. Taking healthcare provision as an example, a private contractor might avoid treating seriously sick or terminally ill patients, in order to avoid incurring the high costs of treating them, provided that the private contractor can justify such an act within the terms of the contract. The ability to write the "perfect or complete" contract is, therefore, very problematic and could allow for interference and favouritism in writing a contract that favours the private contractor over the public (Lopez-de-Silane et al., 1995).

Their research shows that in counties that were obligated by their state governments to use a "Merit" system, the probability of privatisation was higher by 2.7 per cent. When

purchasing standards were imposed, an 11 per cent likelihood of privatisation was shown. In addition, there was a 6.2 per cent higher probability of privatisation in States (counties) that prohibited government employees from engaging in political activities. Furthermore, a 4.9 per cent higher probability of privatisation was shown in states that limited or restricted counties from issuing short-term debts. On the other hand, the probability of achieving a lower level of privatisation was shown in states that allowed government employees to strike. Therefore, the evidence suggested that financial constraints on counties increased the likelihood of contracting out public services. Thus, the more "Clean" government laws reduced the potential for political to benefit, the higher the probability of privatisation (Lopez-de-Silane et al., 1995).

During the Clinton presidency, privatisation was a substantial part of the US policy, as Poole (2004) claims:

the federal government sold off the Elk Hills Naval Petroleum Reserves (\$3.6 billion), the U.S. Enrichment Corporation (\$3.1 billion), and many billions of dollars worth of electromagnetic spectrum, as well as the competitive contracting of more than 100 airport control towers and numerous military base functions (n.p.).

Overall, he asserts, privatisation led “to the shift of over a trillion dollars worth of state-owned enterprises to investors during the '80s and '90s” (n.p).

2.11.1.3 *France*

Young (1987) highlighted that in France, the occurrence of privatisation gained impetus with the appointment of PM Jacques Chirac in March 1986. He postulated that “...the French privatization program may exceed the British program in size” (190). Schmidt (2001:60) argued that:

In France, although the initial push for privatisation came from neoliberal ideology, the process of privatisation was not very “liberal,” and remained keeping with the French tradition of state interventionism. French government have used privatisation as much as a tool for industrial policy as they had previously used nationalization: as a way of restructuring French capital and promoting French competitiveness.

In addition to the above, scholars such as Young (1987), Schmidt (2001), Berne and Pogorel (2004), Maclean (2008) have indicated that the French experience of implementing privatisation had two main phases. The first phase was in the period of

1986-1988 and the second phase was in the period of 1993-1997. Full details of the companies involved, their Chief Executive Officer, along with their total capital employed, the number of employees are detailed in Table 2.8 below.

Table 2.8 Largest Fifteen Privatised Companies in France in 1998

Company	CEO	Total capital employed (€m)	Employees (no.)	Year privatisation began
Suez Lyonnaise des Eaux	Gérard Mestrallet	72,145	175,000	1987
France Télécom	Michel Bon	30,060	165,042	1997
Elf Aquitaine	Philippe Jaffré	26,484	83,700	1994
AXA	Claude Bébéar	26,420	11,700	1994
Rhône-Poulenc	Jean-René Fourtou	24,348	68,400	1993
Saint-Gobain	Jean-Louis Beffa	22,182	107,968	1986
Société Générale	Daniel Bouton	22,011	55,465	1987
Seita	Jean-Dominique Comolli	19,601	8146	1995
Alcatel	Serge Tchuruk	18,336	189,549	1987
BNP	Michel Pébereau	18,185	5138	1993
Total	Thierry Desmarest	15,809	54,381	1993
Renault	Louis Schweitzer	15,522	140,905	1994
Usinor	Francis Mer	10,543	51,394	1995
Alstom	Pierre Bilger	5771	110,000	1987
Pechiney	Jean-Pierre Rodier	4901	34,000	1995

Notes: The named companies were released directly from public into private ownership or grew substantially through the acquisition of a previously state-owned company, as in the case of AXA through its takeover of Union des Assurances de Paris (UAP). The privatisation of Compagnie Générale d'Electricité (CGE) led to the creation of Alcatel and Alstom.

(Maclean, 2008:797)

Berne and Pogorel (2004) reported that since 2002, the French government had shown a clear direction in adopting and implementing a privatisation strategy, and that commitment to this strategy was acknowledged when PM Jean-Pierre Raffarin, during his General Policy Address to the National Assembly in July 2002, stated that:

We have a pragmatic approach to the state's role in the economy. As such, we will analyse capital release and privatisation projects case-by-case, taking particular account of companies' interests and the potential for alliances and development. This policy can only be envisaged over the full length of the term. In general, the state's aim is to withdraw from the competitive sector unless specific strategic interests make this undesirable (Berne & Pogorel, 2004:5).

Similar to other nations, the French privatisation programme was adopted and implemented primarily to generate essential revenue (Table 2.9).

Table 2.9 Gross privatization income 1986-2002 – Major phases

Government	Coalition in power	Dates	Income (billion €)
Chirac	Right	1986-1988	13
Balladur	Right	1993-1995	17
Juppé	Right	1995-1997	9.4
Jospin	Left	1997-2002	31

Note: more than €6 bn had been spent in 1983 in the major nationalization plan

(Berne & Pogorel, 2004:5)

Accordingly, Minefi (2003; cited in Berne and Pogorel, 2004; 6) reported that the

gross privatization income from 1986 to July 2003 amounted to 65.8 bn €, used in the following way:

- €9 bn to reduce the public debt (mostly between 1986 and 1988);
- €1.6 bn allocated to a special pensions fund set up to ease the impact of demographic transition on the French pensions system;
- €50.5 bn allocated to the firms as equity injection;
- €4.7 bn for the regular state budget (in the early nineties).

2.11.1.4 Spain

In the case of Spain, “privatisation is conceived as a mechanism for the public sector to obtain assets to regulate public borrowing and deficit levels” (Ubillos, 2004:1929). The privatisation programme in Spain had three main phases. The first phase was in the period of 1984 to 1992 in which privatisation was utilised as a process to reform SOEs and certain firms were targeted for privatisation. The second phase was in the period of 1993 to 1996 in which privatisation had an objective of reducing financial spending on SOEs “in the short term”. The third phase was in the period of 1996 (June) to 2002 in which massive privatisation projects were accomplished (Ubillos, 2004:1933) and “large utilities and industrial groups, which rank at the top of the largest Spanish firms, were totally privatised” (Arocena, 2004:1)

According to published data by Nellis and Loser (2002), Spain's privatisation programme has generated revenues of more than \$38,400 million in the period of 1990-2001, which ranked it in fourth place among European privatisation nations (Table 2.10). In most cases around the world, privatisation programmes were and are associated with deregulation and increasing competition, particularly in monopolistic sectors. However, Vergés (2000) highlighted that in the Spanish privatisation programme, monopoly was still kept with the transfer of state firms to the private sector, such as in the case of the old oil company *Campsa*, which after becoming "*Compañía Logística de Hidrocarburos, CLH*, kept operating its nationwide logistics network (3.408 km of pipelines and 36 regulatory plants) under monopoly conditions" (269).

Table 2.10 Country breakdown of amounts raised by Privatisation (USD million)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999p
Australia	19	1 042	1 893	2 057	2 055	8 089	9 052	16 815	7 146	15 048
Austria ²	32	48	49	142	700	1 035	1 300	2 654	2 426	138
Belgium	-	-	-	956	549	2 748	1 222	1 817	2 277	-
Canada ³	1 504	808	1 249	755	490	3 998	1 770	-	11	-
Czech Republic ⁴	..	..	..	..	1 077	1 205	994	442	469	781
Denmark	644	-	-	122	229	10	366	45	4 502	19
Finland	-	-	-	229	1 166	363	911	835	2 068	3 645
France	-	-	-	12 160	5 479	4 136	5 099	8 189	12 951	9 509
Germany ⁵	-	325	-	435	240	-	13 228	1 125	364	6 734
Greece	-	-	-	35	73	44	5 58	1 395	3892	4 880
Hungary	38	470	720	1 842	1 017	3 813	1 157	1 966	353	88
Iceland	-	-	21	10	2	6	-	4	129	229
Ireland	-	515	70	274	-	157	293	-	-	4 846
Italy ⁶	-	-	-	1943	6 493	7 434	6 265	27 719	13 619	2 5611
Japan	-	-	-	15 919	13 773	-	6 379	4 009	6 641	14 856
Korea	-	-	-	817	2 435	480	1 866	539	600	2 705
Luxembourg	-	-	-	-	-	-	-	-	-	-
Mexico	3 124	10 757	6 864	2 531	766	170	73	2 670	987	291
Netherlands	716	179	-	780	3 766	3 993	1 239	831	335	1 481
New Zealand	3 895	17	967	630	29	264	1 839	-	441	1 331
Norway	73	-	-	-	118	521	660	35	-	454
Poland	23	171	373	433	725	1 101	1 442	2 043	2 079	3 422
Portugal	1 192	1 198	2 326	500	1 132	2 425	3 002	4 930	4 260	1 624
Spain	172	-	820	3223	1 458	2 941	2 679	12 522	11 618	964
Sweden	-	-	378	252	2 313	852	785	1 055	172	2 071
Switzerland	-	-	-	-	-	-	-	-	4 426	-
Turkey	4 86	244	423	566	412	572	292	466	1 020	38
United Kingdom ⁷	12 906	21 825	604	8 523	1 341	6 691	7 610	4 544	-	-
United States	-	-	-	-	-	-	-	3 650	3 100	-
Total OECD	24 824	37 599	16 757	55 134	47 838	53 048	70 081	100 300	85 886	100 765
<i>of which:</i> EU 15	15 662	24 090	4 247	29 574	24 939	32 829	44 557	67 661	58 484	61 522
Other countries ⁸	8516	11 605	17 458	17 983	18 436	14 551	22 026	57 155	45 153	44 000
Global total	33 340	49 204	34 215	73 117	66 274	67 599	92 107	157 455	131 039	144 765

Notes:

.. Not available.

- Nil or insignificant.

p: provisional.

- The amounts shown are gross proceeds from direct Privatisations. These do not necessarily correspond to the net amount available to the Government. The figures are on a calendar year basis and they may not add up to published budget figures.
- Statistics refer only to Privatisations by the central Government.
- There were no federal Privatisations in 1997, 1999 and 2000. Provincial data are currently not available.
- Proceeds from small-scale Privatisation in 1990 are not available. Large scale Privatisation started in 1991.
- Up to 1997, information on trade sales is not available.
- The amount raised from the sale by Irish National Petroleum Corporation (INPC) of two subsidiaries, some USD 100.6 millions, being the result of an indirect Privatisation are included in the total gross proceeds raised in 2001. The 2001 proceeds also include USD 364.96 million arising from the sale of TSB Bank.
- Including indirect Privatisations since 1996-2000 raising million USD respectively 2 325; 2 018; 3 235; 5 791; 9 244.
- Until 1999, the source is World Bank. Data for 2000 is provisional.
- Debt sales for years 1990-97 (fiscal years) amounting to GBP 5 347 million, GBP 7 924 million, GBP 8 189 million, GBP 5 453 million, GBP 6 429 million, GBP 2 439 million, GBP 4 500 million, respectively. All the figures are provided in fiscal years.

*(Mahboobi, 2002:46)***2.11.1.5 Germany**

The German privatisation experience is exceptional due to the distinct differences caused by the separation between the West of Germany, the Federal Republic of

Germany and the East of Germany, the German Democratic Republic. West Germany was characterised by having an unregulated economy that was and still is dominated by the private sector (Vogelsang, 1988), while in East Germany, the economy was state-controlled. After the reunification of Germany, which took place in October 1990, the privatisation programme of East Germany was embarked upon. Scholars, such as Vogelsang (1988), Dalton (1989), Roesler (1994), Gupta (1998), Bös (2003) highlighted that the privatisation programme in East Germany had been the main function and responsibility of the Treuhandanstalt (popularly known as 'Treuhand'). According to Roesler (1994:505),

... in June 1990, just one month before German Currency Union..., the Treuhand assumed the task of selling East German state holdings to private owners as quickly as possible. The Treuhand's task went beyond the act of just selling off state property, however; it had the additional responsibility of reorganising firms so as to make them profitable as a precondition for sale.

Subsequently, the speed and volume of privatisation that took place in four and half years (July 1990 to December 1994) meant that the Treuhand

...was able to privatize fully or partially all but 192 companies out of a total portfolio of 13,815 holdings, reprivatize 1,588 companies and communalize 265 companies. By communalization, was implied the restoration of the SOEs and public assets to various municipalities at the provincial level (Gupta, 1998:4).

The Treuhand's performance and effectiveness are making so much progress in such a short period are remarkable in comparison to other countries in Central and Eastern Europe (Roesler, 1994).

2.11.2 Privatisation in Developing Countries

Van de Walle (1989) argued that in developing countries, capital market conditions and weakness could hinder the privatisation of SOEs. Reasons offered are stock markets being small and not properly regulated. Also, a large investment in equity is not typical, so assets would have to be sold completely for privatisation to take place. However, in countries where the judiciary or checks and regulatory conditions are weak, attracting private buyers or investors will be very difficult, as investors' reasons and interests will be viewed with suspicion. As suggested by Shirley (1999:128), this is less so "...in countries where the courts are independent, such as in the case of Jamaica where

contracts can be appealed on to the Privy Council in London”, nevertheless, stating the regulatory framework in a contract could reduce such suspicions (ibid).

Furthermore, Boubakri and Cosset (1998) highlighted that the methods of privatisation differ considerably between developing countries. For instance, some countries, such as South Korea, Chile, and Singapore, privatised their SOEs through public offerings, whilst others such as Malaysia sold shares and assets of their SOEs mainly to private investors. In addition, deciding upon and selecting sectors of industry and companies for privatisation differed substantially among developing nations. By way of example, in Malaysia, Singapore, and Thailand the first firms that were privatised were utilities, airlines, and ports, whereas, in other countries, utilities were considered of strategic importance, and so were excluded from the privatisation programme, such as in Tunisia, or as in the case of Brazil where minimum shares could be allowed for sale to the private sector.

According to Kikeri and Kolo (2006), during the period of 1990-2003, 120 developing countries engaged in privatisation activity, where about 8,000 transactions took place, generating revenues of US\$410. They stated that

the sudden and one-time jump resulted from increased activity in large infrastructure and energy (oil and gas) transactions across virtually all regions, with the largest share coming from three countries in Latin America (Argentina, Brazil, Mexico), Kazakhstan, Russia, and China (Kikeri & Kolo, 2005:4).

However, they emphasise that more than two-thirds of the proceedings involved only 15 out of the 120 countries, as detailed in Figure 2.5 below.

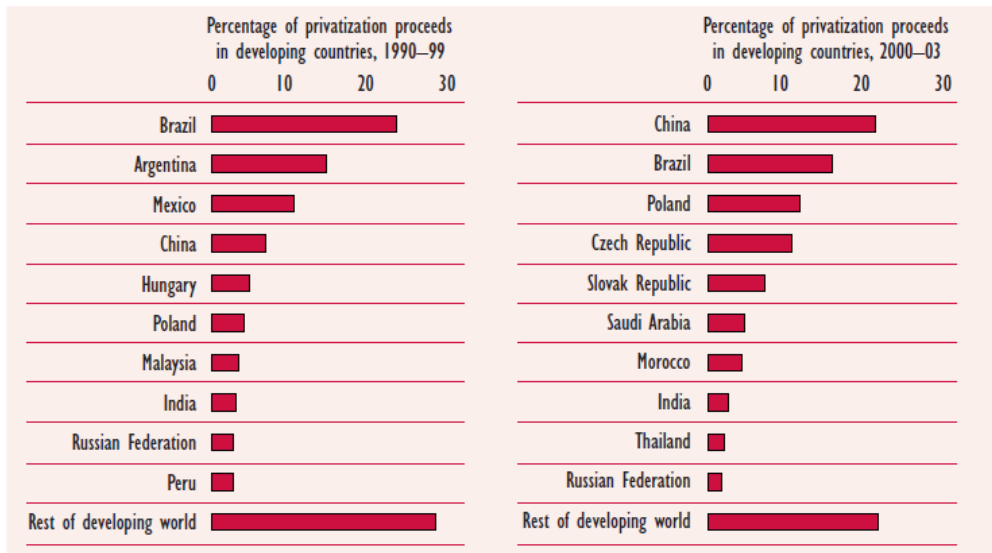
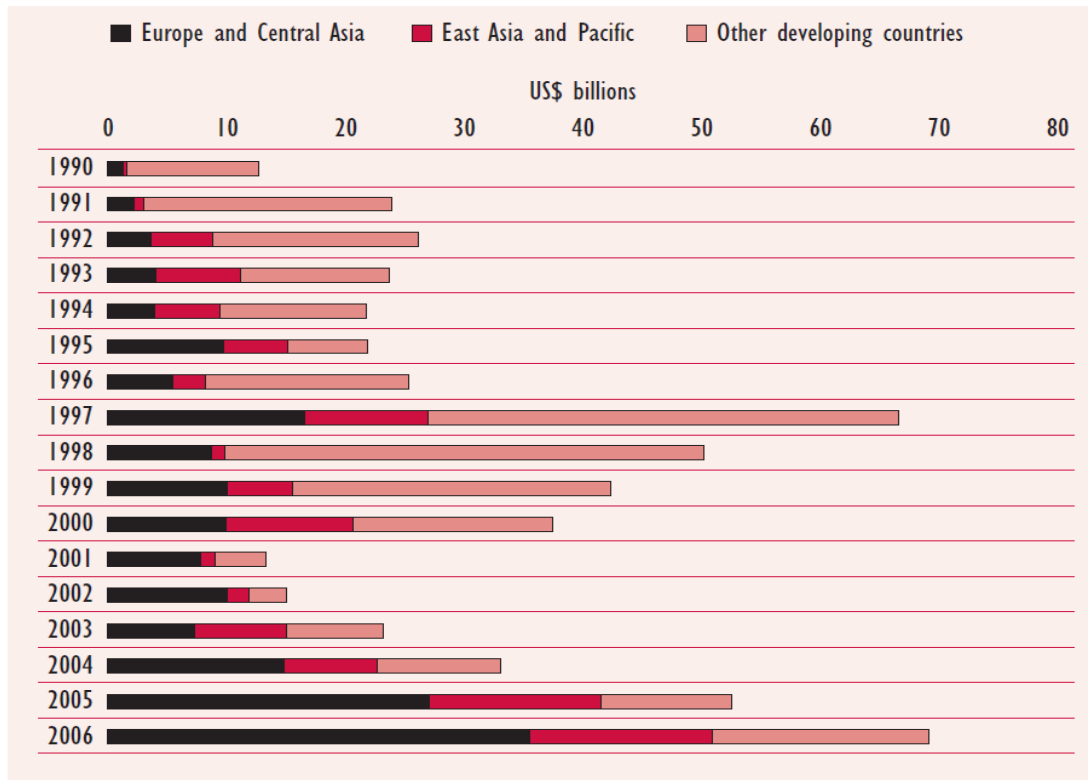


Figure 2.5 Top 10 Revenue generating Countries, 1990-1999 and 2000-2003

(Kikeri & Kolo, 2006:2)

Further, Kikeri and Phipps (2008) highlighted that during the period from 1990 to 2006, primarily only four countries, Brazil, China, India and Russia, continuously participated in privatisation activities, whilst Chile, Argentina, and Mexico were only engaged with some activities during the 1990s, and that in the 2000s, other countries such as Saudi Arabia, Morocco, Poland, and the Czech Republic started engaging in privatisation programmes as detailed in Figure 2.6 below.



Note: Data for 2006 exclude the minority IPOs of the Industrial and Commercial Bank of China and the Bank of China.
 Source: World Bank Group, Privatization Database.

Figure 2.6 Value of privatization transactions in developing countries, 1990–2006

(Kikeri & Phipps, 2008)

Kikeri and Phipps (2008) noted that in terms of sectors, infrastructure was the main sector in generating revenues in 2005 and 2006 as detailed in Table 2.11 below, which shows privatisation revenues by sector generated in developing countries from 1990-2006.

Table 2.11 Privatization transactions in developing countries by sector, 2005–06

Sector	2005		2006	
	Value (US\$ billions)	Transactions	Value (US\$ billions)	Transactions
Infrastructure	24.7	87	23.4	110
Electricity and natural gas	1.2	22	5.3	32
Transport	7.8	30	7.1	39
Telecommunications	15.3	22	10.9	30
Water and sewerage	0.4	13	0.2	9
Energy	2.2	9	19.9	12
Finance	15.5	39	12.9	32
Competitive	10.1	148	10.1	82
Primary	0.4	5	2.8	11
Total	53	288	69.1	247

Note: Data for 2006 exclude the minority IPOs of the Industrial and Commercial Bank of China and the Bank of China.
Source: World Bank Group, Privatization Database.

(Kikeri & Phipps, 2008)

According to Van de Walle (1989) theoretically the sale price for a SOE should be the same as the "...discounted stream of expected profit remittance the state would have received if the PE [public enterprise] had remained in the public sector" (604), is provided that both the state and the private sectors are under the same tax policy and that they perform at the same level of productivity. However, in practice, the social and financial situation in some developing countries is so appalling that some governments are often forced into agreeing to maintain privileges to buyers in the form of subsidisation, tariff protection, and even protection from competition, i.e. allowing monopolies. Moreover, in an effort to maximise the sale price, some governments may be tempted to provide further protection to the newly privatised firms that the firm had not been given or enjoyed whilst under public ownership.

The next section examines more closely privatisation in developing countries, but for clarity, they have been dividing into five main geographical regions: Central and Eastern Europe, Asia, Latin America, Africa, and the Middle East and North African (MENA) countries.

2.11.2.1 *Russia and Central and Eastern Europe*

Privatisation in Russia and Central and Eastern Europe (CEE) has taken many approaches, methods, and years because as Thomas (1993:170) stated,

The Soviet withdrawal, first politically and then militarily, allowed the isolated peoples of the CEE region to rejoin the world's political and economic family of nations. Each country held elections, and most of the old leaders were quickly dispatched. All of the CEE countries became members of the IMF and the World Bank and, with the financial backing of those institutions, were in various stages of implementing programs of far-reaching economic transformation.

Similar to other parts of the world, the region was affected by the economic crisis in the 1990s, which increased inflation and unemployment rates, along with political uncertainty that led government officials to embark upon various ambitious privatisation programmes.

For instance, both the Czech and Slovak governments utilised 'top-down' and 'bottom-up' approaches in their privatisation strategies. Such a strategy was 'top-down'

...because the privatization law requires that all large firms be privatized. It is bottom-up because state enterprises or bidders prepare their own privatization plans, which are reviewed by the relevant ministry and by the ministries of privatization in each republic (Lieberman et al., 1995:5).

The same authors highlighted that SOEs selected for privatisation were, divided into two waves based upon their readiness and appropriateness for privatisation. A certain percentage of shares, ranging between 3-100 per cent, were distributed through vouchers, which were used in the sale of the first wave SOEs, which included large and medium firms. In addition to this strategy, the Czech and Slovak governments utilised other methods of privatisation, such as direct sales and public auctions. A key element in this privatisation process, implemented by both governments, was that privatisation plans presented by the SOE management were completed with those presented by outsiders (ibid).

By the end of 1992, the transfer of the first wave of firms for privatisation was completed in which 1,500 SOEs were privatised utilising the voucher method "of these, 943 were in the Czech Republic, 487 were in Slovakia, and 62 were federal property" (Table 2.12). Furthermore, other firms were privatised utilising other privatisation methods. For example, in the Czech Republic, 323 firms were sold through public

auction, 244 through public tender, and 974 through direct sale. The Czech Republic was the only country which continued its privatisation programme into the second wave of privatisation utilising the vouchers method of selling. About 861 firms were involved (ibid).

Table 2.12 Voucher Privatization in the Czech and Slovak Republics in the First Wave (Billions of Koruna)

	Czech Republic	Slovak Republic	Federal	Total
Number of enterprises	943.0	487.0	62.0	1,492.0
Total book value of property of these enterprises	362.2	133.6	72.8	568.6
Total equity of these enterprises	323.1	114.4	25.4	463.0
Total value of property to be redistributed through vouchers	200.8	85.1	13.5	299.4
Thousands of workers employed	864.4	344.2	49.8	1,258.4
Combined output	592.9	196.3	112.9	902.1
Combined profit	67.8	15.5	22.6	105.9

(Lieberman et al., 1995:69)

Other nations in the CEE embarked upon different privatisation strategies. For instance, the Polish government adopted a 'top-down' approach in their privatisation model. The first phase of privatisation included 460 firms of medium to large size (ibid). On the other hand, Hungary took a more cautious case-by-case approach in its privatisation programme (Brown & Earle, 2001). According to Voszka (2018:1286) "Hungary's state-owned assets up to 2010 were small relative to developed countries or the new EU member states". In Romania, which had struggled initially when utilising the voucher method of privatisation. The Romanian government initiated a programme of Management and Employee Buyouts, resulting in massive privatisation during 1995 and 1996 (Earle & Telegdy, 2002). The Romanian experience, therefore, yielded mixed forms of ownership (Brown & Earle, 2001), as detailed in Table 2.13 below.

Table 2.13 Percentage of Firms Privatised – Majority Domestic Private and Majority Foreign

	1992	1994	2004
Hungary			
Domestic	36.3	62.5	74.7
Foreign	6.6	11.7	16.5
Romania			
Domestic	0.0	10.8	86.4
Foreign	0.0	0.1	6.7
Russia			
Domestic	0.0	74.5	61.5
Foreign	0.0	0.9	1.3
Ukraine			
Domestic	0.1	13.0	74.0
Foreign	0.0	0.1	1.0

Notes. 'Foreign' refers to privatised firms with more than 50% foreign-owned shares at the end of the year. 'Domestic' consists of privatised firms that are not majority foreign; most of these are majority-owned by domestic private owners but some of them also have minority foreign ownership.

(Brown et al., 2009:691)

In Lithuania, a privatisation programme was launched in early 1991. It was considered to be one of the quickest privatisation programmes implemented, because by the end of 1994 about "75 percent (4,900) of the SOEs were privatised. In addition, about 95 percent (700,000) houses that were under the Lithuania government control were sold. Vouchers were a main privatisation method that was used by the Lithuanian government" (Lieberman et al., 1995:19).

In contrast, the privatisation strategy in Russia, which started in June 1992, was very different from those cited above, due to the political opposition to privatisation. Therefore, the government had to plan and implement a speedy process that included medium and large SOEs, except for a few firms. Boycko et al. (1993:148) state that

...it [privatisation] was also designed in an extremely hostile political environment. As a result, the program had to accommodate the political and economic demands of various stakeholders in state firms, so as to get their support or at least preclude active opposition.

As a result of the above, by the first quarter of 1993, vouchers were distributed among nationals for a nominal price, in which 95 per cent of Russian nationals participated. One of the main challenges that the Russian government had to face was the size and geographical complexity of the country. This huge challenge led the government to utilise a 'bottom-up' approach, whereby privatisation projects were started on a smaller

regional scale. Then, once the outcomes were satisfactory, the programme was adopted and accomplished on a larger national scale. This strategy is similar to that of the Chinese government. In addition to the voucher method, the Russian government also utilised other methods of privatisation, with 300 firms privatised by National Auction System. These strategies resulted in more than 15,000 firms being privatised within two years (Lieberman et al., 1995).

The Ukraine government used a very similar approach to that of the Russian government, but the Ukraine programme was introduced at a much slower pace. **Error! Reference source not found.** above details the percentage of firms privatised to domestic and foreign owners during the years of 1992, 1994, and 2004 (Brown & Earle, 2001). Overall, Brown et al. (2009:683) reported

positive effects of privatisation on productivity in Hungary and Romania, a weak positive effect in Ukraine, and a slight negative effect in Russia; in all four countries, the estimated effects of privatisation to foreign investors are larger than privatisation to domestic owners.

2.11.2.2 *Asia*

According to Abdel-Kader (2010:92) “...the privatization movement in the Asia–Pacific region was led by Japan... Japan serves as a model for the rest of the countries in the region in designing and implementing privatization strategies”. For instance, in the case of Malaysia, Hensley and White (1993) stated that the Malaysian government adopted privatisation as a strategy to “...maximize overall efficiency, and to utilize external sources of finance, managerial skills, new forms of technology, and marketing expertise as a means to promote industrialization and growth” (71). In contrast, Tan (2007:5) argued that privatisation in Malaysia “...was in response to economic inefficiencies but more crucially came from changes in social relations within the Malay middle class that led to increased competition for resources within the ruling Malay party”. Table 2.14 below details the number of privatisation projects, by sector, that were undertaken by the Malaysian government, during the periods of 1991-1996 and 1996-2000

Table 2.14 Malaysia: Number of privatized projects by sector, 1991–2000

<i>Sector</i>	<i>Privatizations</i>	<i>Share of total (%)</i>
<i>1991–1996</i>		
Agriculture and forestry	16	7.8
Mining and quarrying	10	4.9
Manufacturing	31	15.2
Construction	46	22.5
Electricity, gas and water	14	6.9
Transport, storage and communications	22	10.8
Wholesale and retail trade, hotels and restaurants	23	11.3
Finance, real estate and business services	13	6.4
Government services	11	5.4
Other services	18	8.8
Total	204	100
<i>1996–2000</i>		
Agriculture and forestry	8	8.2
Manufacturing	2	2
Construction	27	27.6
Electricity and gas	12	12.2
Transport	16	16.3
Water and sewerage	4	4.1
Wholesale and retail trade, hotels and restaurants	6	6.1
Finance, real estate and business services	3	3.1
Government services	20	20.4
Total	98	100

(Tan, 2007:56)

In the case of Indonesia, Yonnedi (2010) argued that the government was very cautious in privatising its SOEs:

...only six of its 125 SOEs had been partially privatized through initial public offerings by 2003. Therefore, privatization in Indonesia is still in its infancy and its validity as part of a long-term development strategy is still being actively debated (539).

In contrast, the Chinese privatisation programme has been a massive one (Lin & Zhu, 2001; Garnaut et al., 2003). It started in the late 1970s and was divided into three phases: "...pilot reforms during 1979–83, an increase of enterprise autonomy during 1984–92 and ownership restructuring since 1993" (Lin & Zhu, 2001:306). Garnaut et al. (2003) highlight that between 1996 and 2001, the number of SOEs had fallen by 40 per cent and they believed that the majority of the rest would follow shortly.

It is important, therefore, to explore the approach that has been adopted by the Chinese government in privatising its SOEs. Although their approach was similar in nature when

conducting an experiment or what Cao et al. (1999:26) described as a “laboratory of the local governments”: the idea was that reform would start on a small scale within local areas, then once the outcomes were found to be satisfactory and successful, the strategy would be implemented on a larger scale. Utilising such processes and controls to the creation of reform models that were tested at a local level and then applied at a national level. Even though the Chinese government announced its strategy in privatising SOEs in 1997, the experimenting process was conducted over many years. According to Jefferson and Su (2006) as a result of the privatisation programme in China, by 2001 the number of SOEs had fallen to around one-half of the firms that the government owned in 1994 as detailed in Table 2.15 below.

Table 2.15 Ownership Distribution: number of firms and [% of total]

Ownership type	1994	2001
State-owned (SOE)	15,533 [67.9]	8675 [37.9]
Collective-owned (COE)	4068 [17.8]	2465 [10.8]
H.K., Macao, Taiwan (HMT)	967 [4.2]	2271 [9.9]
Foreign (FOR)	1041 [4.6]	2675 [11.7]
Shareholding (SHR)	961 [4.2]	5659 [24.7]
Private (PRI)	7 [0.0]	984 [4.3]
Other domestic (OTH)	293 [1.3]	149 [0.7]
Total	22,870 [100.0]	22,878 [100.0]

(Jefferson & Su, 2006:152)

2.11.2.3 Latin America

Chile was the first nation to embark upon a programme of privatisation in Latin America. It began in 1974 under the Pinochet military regime. The main objectives for privatisation were to reduce inflation and the government's role in the Chilean economy (Lüders, 1991). The Chilean privatisation programme had two main phases; the first was in the period of 1974-1980 and the second in 1980-1989. The significant highlight of the Chilean privatisation programme occurred in the first phase where the government privatised 259 firms by returning them to the original private owners, from whom they had been taken during the Chilean government's nationalisation process (Fischer et al., 2003). The numbers of firms nationalised and privatised in Chile in the periods between 1970 and 2001 are detailed in Table 2.16 below.

Table 2.16 Nationalization and Privatisation of Firms in Chile

Number of Firms	1970-73	1974-78	1979-83	1984-89	1990-2001
Beginning of Period	65	179	82	45	44
Acquired	113	1	0	0	0
Created	1	0	10	29	12
Privatized	0	70	14	27	14
Liquidated	0	28	20	3	4
No Information	0	0	13	0	0
End of Period	179	82	45	44	38

Notes:

1. Does not include Pehuenche, which was privatized as a project (i.e., never operated as a public firm).
2. Includes Corporación del Cobre (Codelco).
3. Includes the 10 seaports originating in the breakup of Emporchi.

(Fischer *et al.*, 2003:4)

Moreover, Nellis (2003) commented that privatisation had taken a much quicker and more extensive implementation trend in Latin America than in other developing countries; consequently, the sales and the revenues from privatisation were higher than elsewhere. Chong *et al.* (2002:2) demonstrated the magnitude of the extent of sales and revenues of privatisation by stating:

A recent IDB study by Eduardo Lora uses the accumulated value of privatizations as a percentage of GDP as an indicator of the effort made by countries in this area. He shows that the accumulated privatizations in three countries exceed 10% of their GDP and in six countries they are greater than 5% of GDP.

In addition to the above trends, according to Estache and Trujillo (2008:136) “...the biggest bang may have been in Mexico where the number of public enterprises shrank from 1,155 to 219 between 1988 and 1994”. The Mexican privatisation programme, considered to be one of the largest programmes in the region, underwent three major phases (Chong & López-de-Silanes, 2004). In the first phase, between 1982-1988, about “300 SOEs were liquidated and 157 privatised” (*ibid*: 9). In the second phase, in the period of 1988-1993, large SOEs were privatised. The third phase was in the period of 1994-2003 which centred on “...the privatization of strategic areas of the economy and public utilities such as telecommunications (including satellite telecommunications), ports, airports, toll roads, railroads and the distribution of natural gas” (*ibid*: 10).

A review of the literature indicates that privatisation in Latin America has been very significant in comparison to other developing countries. For example, Lora (2001:15) stated that “...the 396 sales and transfers to the private sector made in Latin America between 1986 and 1999 represent over half of the value of privatization operations in developing countries”. The cumulative value of privatisation in the periods of 1988-1999 in Latin America is detailed in Figure 2.7 below. Estache and Trujillo (2008) emphasised that privatisation resulted in significant changes in other Latin American nations:

In Argentina, the government privatised 115 firms in the periods of 1990-1994; Brazil privatised 119 firms between 1991 and 2001; Jamaica privatised about 200 firms during the 1990s; and Nicaragua liquidated 343 companies between 1991 and 1998.

Nevertheless, in the 1990s, 95 per cent of privatisation revenues were in six countries: primarily “...Brazil (40%), Argentina (26%), Mexico (17%), Peru (5%), Colombia (3.5%) and Venezuela (3.5%)” (ibid: 1-2), are detailed in Figure 2.7 below. Moreover, the industry that had the most significant major impact on such transactions was the infrastructure services, which constituted 57 per cent of the generated revenues, whilst financial services generated 11 per cent (Lora, 2001).

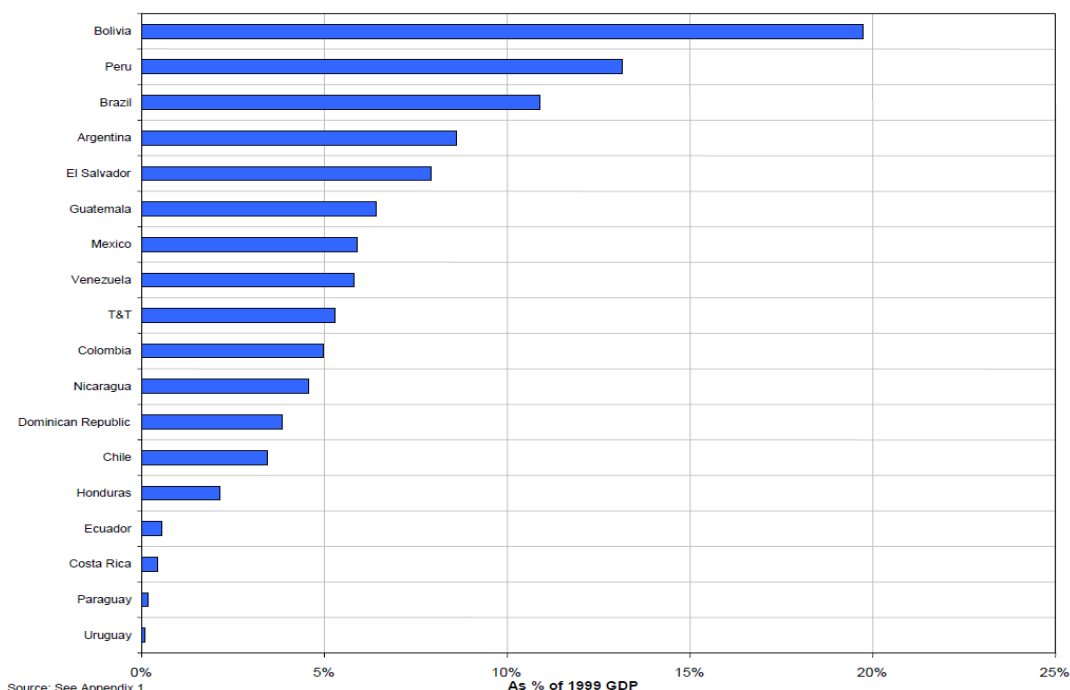


Figure 2.7 Cumulative value of Privatisation in 1988-1999 in Latin America

(Lora, 2001:15)

2.11.2.4 Africa

In comparison to other developing countries, such as those in Latin America and Asia, described above, the privatisation implementation process in African nations has been substantially much slower (Adam et al., 1992). Van de Walle (1989) attributed the extensive delays in the privatisation process primarily to the absence or shortages of administrative and technical capabilities, examples being management consulting groups, accounting firms, and investment banks, which could provide the basic essential help and assistance in evaluating the firm to be privatised. This in turn resulted in African governments and associate officials, who were linked to the firm undergoing the privatisation process, being very sensitive and anxious about the valuation process, as it not only would affect the final price of the firm but equally could raise questions about previous public management capabilities and investment decisions that had been made. Such issues brought political controversy, leading to further delays and complications. As a result, according to Pamacheche and Koma (2007:11)

Privatization is generally viewed with much skepticism across Africa by all segments of society. African intellectuals and officials have the tendency to view the public sector as the promoter and defender of indigenous interests and to believe that privatization will empower and enrich foreigners at the expense of indigenous people.

In African countries, White and Bhatia (1998:27) explained privatisation had begun due to a multitude of very different reasons and individual countries' objectives (Figure 2.8).

Country	Reduce fiscal burden	Develop private sector	Broaden ownership	Increase economic efficiency	Reduce administrative burden	Develop capital market	Access markets, capital, & technology	Raise revenue for treasury	Others
Benin	✓				✓				✓
Burkina Faso	✓	✓							
Côte d'Ivoire	✓	✓					✓		
Ghana	✓	✓		✓	✓				
Kenya	✓	✓	✓						
Lesotho	✓		✓	✓	✓				
Nigeria	✓			✓		✓			
Madagascar	✓		✓						
Mozambique	✓	✓		✓	✓	✓	✓		
Senegal	✓							✓	✓
Tanzania	✓	✓	✓			✓	✓		✓
Togo	✓	✓	✓						
Uganda	✓	✓	✓	✓	✓	✓			
Zambia	✓		✓	✓	✓	✓	✓	✓	✓

Figure 2.8 Comparison of Stated Privatisation Objectives (African Countries)

(White & Bhatia, 1998:22)

Also, they stressed that many African governments had embarked upon the privatisation process without having the basic accepted underpinning knowledge and understanding of initiation conditions. They stated that

In some cases, the extent to which the enterprises were underperforming was not known, either because of lack of sufficient information on the nature and level of subsidies or because of weak corporate governance. Some countries, including Cameroon, the Republic of Congo, Gabon, Lesotho, Mauritania, Tanzania, Uganda, and Zambia, undertook detailed preparatory work to establish the financial and technical performances and the position of enterprises as a precursor to developing their programs; other countries did not (White & Bhatia, 1998:43-44).

Nevertheless, according to Pamacheche and Koma (2007) during the period of 2000-2005, the privatisation processes undertaken in Sub-Saharan Africa reached US\$11 billion, i.e. the total outcome of 960 privatisation transactions in 37 countries. They further highlighted the fact that only four countries had generated the most share of such revenue. They were South Africa, Nigeria, Ghana, and Zambia. In addition, they postulated that the African experience with privatisation had yet to yield positive outcomes, as poor outcomes were associated with privatised firms in Mali, as opposed to in the case of Togo, where significant performance and improvements were reported after privatisation. Also, Nellis (2012:7) suggested, “most African states have yet to involve private operators in their larger, higher value infrastructure firms, though that is beginning to change”.

2.11.2.5 Middle East & North Africa (MENA)

Privatisation in MENA countries was characterised as slow by Naceur et al. (2007) because it was found that governments in these countries had continued to hold and perform a major role. However, “...What is less clear is just how significant it is. While privatisation data for the region is generally available, data on the underlying size of SOE sectors is not” (Amico, 2012:17).

Equally, a lack of clear objectives and basically accepted processes has always been associated with MENA countries' privatisation policies. For instance, the Egyptian privatisation programme

has never defined a comprehensive list of objectives ranked by priority or weight. Not all of these objectives have been equally important... It is also notable that maximizing the privatization

proceeds has never been an explicit goal of the government (Abdel-Kader, 2010:40).

Table 2.17 Classification of MENA SOE sectors

Countries	SOE Sectors	Country Priorities
Iraq, Yemen	Numerous unincorporated enterprises; SOEs major recipient of state subsidies; state seen as an employer of last resort; some interest in privatising SOEs	Corporatisation of SOEs and preparation of some SOEs for privatisation; creating mechanisms to reduce redundant employment in the SOE sector; reviewing the legal framework applicable to SOEs
Algeria, Egypt, Libya, Syria	Large SOE sectors owing to the socialist legacy; banking sector historically dominated by the state; high non-performing loans in state-owned banks; state seen as a major source of employment	Rethinking the role of the state in specific sectors (e.g. textile, food processing); re-organisation of the state-ownership function; reducing political interference on SOE boards; streamlining legal framework applicable to SOEs
Lebanon, Jordan, Morocco, Tunisia	Rationalised by the privatisation during 1980s-1990s; state present in select sectors and is generally not seen as a major source of employment; SOEs are not highly present in the financial sector but remain active in network industries	Reviewing state ownership in loss-making enterprises; better co-ordination of the state's ownership function; improving the professionalism of SOE boards; reducing political interference in SOE boards; separation of ownership and regulatory functions
Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Oil and gas SOEs not listed and a key source of fiscal revenues; minority stakes in non-strategic SOEs listed in part to develop capital markets; new SOEs being established in recent years; SWFs important owners of listed and unlisted companies	Improving SOE transparency and accountability; preparing listings of minority stakes in some SOEs; consolidating SOE ownership under professional management; reproducing successful ownership experiences in other SOEs

(Amico, 2012:17)

Table 2.17 above details the individual SOE sectors in MENA countries, along with their itemised objectives and their priorities, hence, future challenges to be addressed.

In addition to the above, Amico (2012) highlighted that SOEs in the MENA region accounts for half of the economic activities. For instance, Iraq, Syria, and Algeria are known to operate the largest SOEs and continue to own them. In the Gulf Corporation Council (GCC) countries, Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman, SOEs contribute significantly to their countries' GDP and are

“...probably underestimated considering that the largest hydrocarbon SOEs are not listed and disclose very little information publicly” (ibid:18).

Privatisation strategies have differed among MENA nations. For instance, privatisation has taken a distinctive shape and course in the United Arab Emirates (UAE), where the government selected to maintain the ownership of its Telecommunication sector (*Etisalat*), whilst allowing private operators to enter the market to compete by providing various mobile phone services. In addition, instead of privatising current SOEs, the UAE government, according to Mansour (2008) established free zones, thereby attracting foreign investors in an effort to diversify its economy.

Evidence that privatisation progressed differently among the MENA countries and generated different levels of revenue from privatisation is seen in Table 2.18 below, showing that Egypt, followed by Morocco and Tunisia, gained more privatisation revenues than other MENA countries.

Table 2.18 Privatisation proceeds in the MENA region, 2000-2008 (USD mil)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Algeria	7	369	-	360	421	158	-	161	-	1 476
Egypt	308	207	-	-	52	2 173	7 583	311	926	11 560
Iraq	-	-	-	-	-	-	-	1 250	-	1 250
Jordan	658	20	112	173	2	55	319	556	104	1 999
Lebanon	-	-	-	-	-	236	-	-	-	236
Libya	-	-	-	-	-	205	-	-	-	205
Morocco	2 110	-	-	1 551	2 616	147	650	847	-	7 921
Oman	-	-	-	-	-	852	-	-	-	852
Syrian Arabia	-	70	-	-	-	-	-	-	-	70
Tunisia	230	227	-	-	247	121	2 282	61	480	3 648
Yemen	20	-	-	-	-	-	214	-	-	234
Total	3 333	893	112	2 084	3 338	3 947	11 048	3 186	1 510	29 451

(Amico, 2012:24)

Numerous MENA countries made the decision to focus their privatisation activities upon specifically identified utilities, such as those found in the Telecommunication sector and those found within the banking sector (Amico, 2012), thereby generating substantial amounts of revenue. Details of the companies that generated the largest amount of revenue through privatisation are listed in Table 2.19 below.

Table 2.19 Top 20 largest Privatisation transactions in the MENA region, 2000-2008

Rank	Country	Year	Company	Amount (USD mil)
1	Egypt	2006	Etisalat Misr	2 900
2	Morocco	2004	Maroc Telecom	2 530
3	Tunisia	2006	Tunisie Telecom	2 250
4	Egypt	2006	Commercial International Bank	2 225
5	Morocco	2000	Maroc Telecom	2 110
6	Egypt	2006	Bank of Alexandria	1 610
7	Morocco	2003	Régie des Tabacs	1 551
8	Iraq	2007	Korek Telecom	1 250
9	Egypt	2005	Telecom Egypt	892
10	Oman	2005	Oman Telecommunications Co	748
11	Morocco	2007	Maroc Telecom	552
12	Jordan	2000	Jordan Telecommunications Co	508
13	Morocco	2006	Altadis Maroc/Régie des Tabacs	466
14	Algeria	2004	Wataniya Telecom Algerie	421
15	Algeria	2001	Djezzy GSM	369
16	Algeria	2003	Djezzy GSM	360
17	Egypt	2005	National Fertilizer Company	341
18	Egypt	2005	Suez Cement	339
19	Jordan	2007	Central Electricity Generating Co	320
20	Egypt	2008	MobiNil	286

(Amico, 2012:25)

2.12 Summary

This chapter has reviewed literature related to privatisation and its influences, impacts and results, with a brief outline of the difficulties associated with a definition of privatisation; a historical outline of the origins of privatisation; reasons and objectives behind privatisation, and methods and theoretical perspectives of privatisation. The impact and importance of ownership, incentives, Property Right theory, Public Interest theory, Principal-Agent theory and information asymmetry were addressed. This was seen as essential in order to conduct a comprehensive review of the literature to place this study within the global privatisation experience.

The chapter briefly detailed aspects of experiences of privatisation in developed countries, specifically, the UK, the USA, France, Spain, and Germany. Moreover, in order to establish a sound balanced foundation for this study a review of the literature

related to privatisation experiences in developing countries, Russia and Central and Eastern Europe, Asia, Latin America, Africa, and MENA.

Such a review of the relevant literature and covering as many countries as possible offers a broad spectrum of the methods of implementation, impacts, challenges, bases for decision making and experiences of effective and ineffective usage and development of privatisation. Such details allow for comparisons and contrast to be identified and discussed, following the results of investigating the influence and the impact of effective implementation of privatisation in Saudi Arabia, which will be addressed in the following chapter.

CHAPTER THREE: PRIVATISATION IN SAUDI ARABIA

3.1 Introduction

The above review of the literature in the previous chapter showed the ways in which the decisions, challenges and implementation processes of privatisation have been used globally. Since Saudi Arabia possesses distinct characteristics derived from Islam, it is essential, before reporting the intentions and/or experiences of privatisation in Saudi Arabia to place the concept of privatisation within the Islamic cultural, religious and societal background. Therefore, this chapter will provide a general country background before detailing the concepts and underlying religious and cultural that influence the Islamic perspective; *Shari'a* Law; along with the concepts of public administration, ownership, the role of the state and private ownership within the Islamic faith.

The above background information will be followed with details of the process and implementation of the privatisation programme in Saudi Arabia; the Saudi decisions and motives for privatisation; the Saudi privatisation programme, and the challenges of privatisation in Saudi Arabia ending with concluding remarks, which will highlight the main points of the literature review of both the previous chapter (2) and this chapter (3), and a summary of this chapter.

3.2 Saudi Arabia; Country Overview

Rice (2004:59) highlights that the importance of Saudi Arabia within the global context arises from three characteristics:

- (a) it has a strategic location
- (b) it has the world's largest reserves of oil, and
- (c) it plays a unique role in the Islamic religious and cultural world.

Its unique role is because Saudi Arabia hosts the two most holy places in the Islamic religion, which Muslims face towards during their daily worship and prayers, i.e. Makkah and Madinah. The total area of the country is 2,149,690 square kilometres, with a total population of 28,571,770, of which 37 per cent are immigrants (US Central Intelligence Agency (CIA), 2018).

Within the domestic context, KSA enjoys good relationships with many nations throughout the world, and in particular with Islamic and MENA countries. Saudi Arabia plays a crucial role in the Middle East region and is a key member of the Organisation of the Islamic World, which hosts 57 Islamic nations (Rice, 2004).

Saudi Arabia is a monarchy, in which the Saudi government is headed by the Royal Family, and all decisions are made by the King. There is a Council of Ministers, whose principal role is to provide advice to the King to assist his Majesty in making well-informed decisions (Al-Qahtany, 2003). The law and constitution in Saudi Arabia are derived from the two main sources of *Shari'a*; the *Qur'an* and the *Sunnah*, which is constituted from the teachings (*hadeeth*) of Prophet Mohammed (Peace Be Upon Him (PBUH), henceforth).

3.2.1 The Economy

At the regional level, the Saudi economy is the largest of the Arab and Gulf countries (Table 3.1), with Saudi Arabia's economy being overwhelmingly oil-based (Kinninmont, 2017:9). Such a high dependence upon oil brings instability to its economy due to the continued fluctuations in oil prices (Rice, 2004).

Table 3.1 GCC Popular Indicators (2013 - 2014)

(Billion US dollar)

	UAE		Bahrain		KSA		Oman		Qatar		Kuwait	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Nominal GDP	402.3	401.4	32.8	33.9	744.3	746.2	77.0	78.2	203.2	208.7	175.8	172.4
Real GDP growth (percentage)	5.2	3.6	5.3	4.8	2.7	3.5	4.8	3.4	6.3	6.0	1.5	1.3
Inflation rate	1.1	2.3	3.3	2.5	3.5	2.7	1.2	1.0	3.1	2.9	2.7	3.1
Money Supply*	22.5	16.9	8.2	10.5	10.9	11.9	8.5	9.5	19.6	11.1	9.7	4.4
Imports	312.5	346.7	15.2	14.7	229.9	173.8	41.5	43.0	59.0	63.1	47.5	50.7
Exports	395.9	400.9	23.9	23.2	376.0	342.3	59.3	58.3	148.1	139.5	121.5	112.8
Current account	64.7	49.1	2.6	2.2	135.5	76.9	4.7	2.2	62.6	47.9	69.6	60.9
Ratio of current account to GDP**	16.1	12.2	7.8	6.6	18.2	10.3	6.1	2.9	30.8	23.0	39.6	35.3
Rational surplus, deficit in fiscal balance	8.6	6.0	-4.3	-5.4	8.7	-2.3	4.8	-1.4	14.4	9.2	34.7	21.9
Population (million)	9.0	9.3	1.2	1.2	30.0	30.8	4.1	3.6	2.0	2.2	3.9	4.0
* M2 in Oman represents broad money supply, while M3 represents broad money supply in the remaining GCC countries.												
** Ratio of surplus/deficit to GDP (at current prices).												
Source: IMF, World Economic Outlook, January 2015; Central Department of Statistics and Information; and SAMA.												

(SAMA, 2015:17)

Also, Akoum (2009) argues that even though oil revenues are substantial (Figure 3.1), several sectors have burdened the country's budget; such as defence, social welfare services and utilities. Such conditions led to the increased priority for privatisation, as it would generate revenues by selling state assets and at the same time, reduce government spending and constraints.

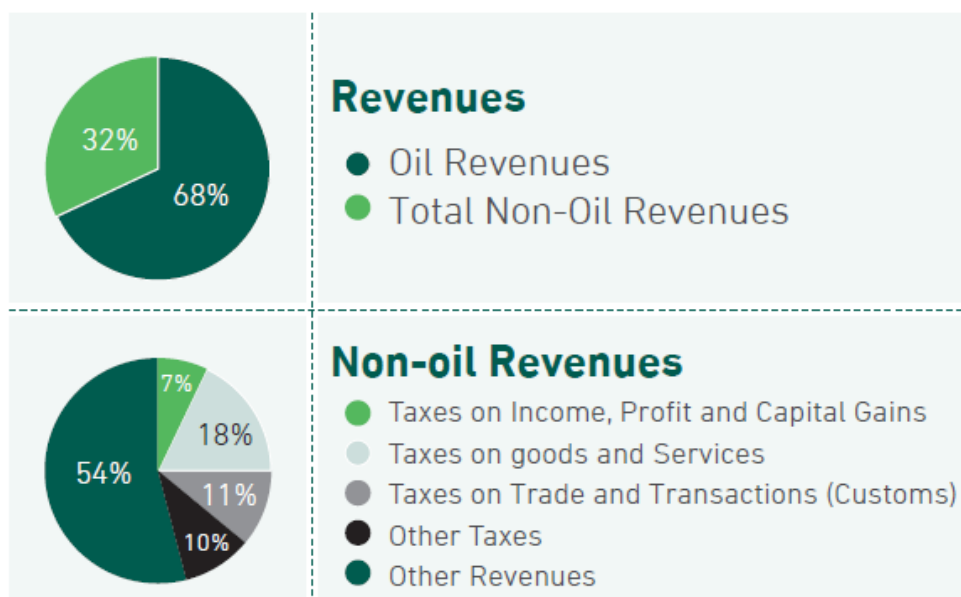


Figure 3.1 Actual Revenues (up to the end of 3rd quarter 2017)

(Ministry of Finance, 2017:14)

As regards as agriculture, even though Saudi Arabia is independent in wheat and has one of the world's largest dairy firms (Safi Dairy), "Saudi Arabia continues to be the leading food importer in the region" (Rice, 2004:64).

Recently, Saudi Arabia embarked on an aggressive reform to diversify its income and increase its revenues from non-oil sectors (Table 3.2). According to Husain and Panth (2017:1)

Non-oil growth is expected to pick-up this year, but overall GDP growth will be close to zero given the decline in oil production. Growth is expected to strengthen over the medium-term as structural reforms are implemented. Risks mainly come from uncertainties about future oil prices and how ongoing reforms will impact the economy.

Table 3.2 Saudi Arabia revenues 2012 – 2014 (Actual -Projections)

(Million Riyals)

	1433/34 (2012)		1434/35 (2013)		1435/36 (2014)	
	Actuals	Projections	Actuals	Projections	Actuals	Projections
Total revenues	1,247,398	702,000	1,156,361	829,000	1,044,366	855,000
Oil revenues	1,144,818	621,000	1,035,046	727,000	913,346	735,000
Non-oil revenues	102,580	81,000	121,315	102,000	131,020	120,000
Total expenditures	873,305	690,000	976,014	820,000	1,109,903	855,000
Surplus/deficit	374,093	12,000	180,347	9,000	-65,537	0

Source: Ministry of Finance.

(SAMA, 2015:126)

3.2.2 Business Environment

The business environment has seen improvements in Saudi Arabia. For instance, in an IMF 2017 report, Husain and Panth (2017:4) stated that

Saudi Arabia has embarked on a bold reform program under *Vision 2030* that was launched in April 2016. The reforms aim to transform the Saudi economy by diversifying it away from oil, giving a larger role to the private sector, increasing private sector jobs for Saudis, adjusting fiscal policy to the realities of lower oil prices, and increasing the effectiveness and accountability of government.

The Saudi Arabian General Investment Authority (SAGIA) was established as the regulatory body that is responsible for attracting foreign investment to the country. It has focused on stimulating and attracting foreign direct investments (FDIs) as it develops its processes and the process of issuing approvals and authorisations. A report issued by Alain Charles Technical Review Middle East, on January 29, 2003, highlights that

SAGIA has issued 1,372 licences worth U.S. \$121.1 billion. From April 2000 to April 2002, 62 per cent of projects licensed were wholly foreign owned and 38 per cent were joint ventures. Examples of new industrial projects approved include a desalination plant (Japan's Sumitomo) and the Omega Sugar Co. (a Canadian/ Spanish venture) (Rice, 2004:69).

Consequently, there is a growing trend for project financing and many projects, particularly with the embarkation of Saudi Arabia's Vision 2030.

3.2.3 Vision 2030

In April 2016, the Saudi government announced its 'Saudi Vision 2030'. According to Kinninmont (2017:3), this vision is "a wide-ranging plan to diversify the kingdom's economy and reduce its dependence on oil. If successful, 'Vision 2030' would transform the country's economic model, making the private sector the engine of growth and jobs".

Further, in addition to the above the government aims at growing the

economy and improve the quality of our services, by privatizing some government services, improving the business environment, attracting the finest talent and the best investments globally, and leveraging our unique strategic location in connecting three continents (Vision 2030, 2016:13).

Thus, privatisation will become and in part has become a cornerstone of the transformation process that the country is seeking to achieve, as it aims at privatising some services and at the same time is seeking to increase the role of the private sector within the Saudi context. The following are the key targets of Vision 2030 (2016):

- Move from being the 19th largest economy in the world into the top 5.
- Increase the private sector's contribution from 40 per cent to 65 per cent GDP.
- Increase FDI from 3.8 per cent to the international level of 5.7 per cent of GDP.
- Raise the share of non-oil exports in non-oil GDP from 16 per cent to 50 per cent.
- Increase non-oil government revenue from SAR 163 billion to SAR 1 trillion.
- Increase the number of pilgrimage visitors from 8 million to 30 million annually.
- Localize over 50 per cent of military equipment spending by 2030.
- Increase Saudization in the oil and gas sectors from 40 per cent to 75 per cent.
- Increase the Public Investment Fund's assets from SAR 600 billion to more than 7 trillion.

Vision 2030 (2016) reflects the general highlights and improvements that are aimed to be made in most fields, such as education, health, and housing. Key targets include certain industries and sectors that had been less developed in the past but hold economic growth and potential, such as tourism and logistics.

3.2.3.1 Tourism

The government has enhanced the work and plans of the Supreme Council of Tourism, resulting in tourism initiatives being divided into two main directions. The first is associated with religious tourism and the second with general tourism.

(A) Religious Tourism

According to Kinninmont (2017:15) “tourism, primarily religious tourism, is one of the main non-oil industries where Saudi Arabia has a clear competitive advantage as custodian of the holy sites of [Makkah] and [Madinah]”. Currently, it is estimated that two million Muslims are permitted to visit the holy cities for the main pilgrimage (Hajj) and the lesser pilgrimage (Umrah). Nevertheless, the government is keen to increase these numbers, once the development of the holy cities of Makkah and Madinah and supporting infrastructure and transportation facilities are completed. Further, the government has launched numerous massive projects, in which the expansion of the two Holy Mosques, in order to be able to host more worshipers and pilgrims.

Additionally, airports in the cities near the two Holy cities, i.e. Madinah and Taif, have undergone much renovation and expansion. They have been upgraded to become International Airports, thereby facilitating international travellers (GACA, 2016). Also, rail system projects that connect the three main cities of Makkah, Jeddah, and Madinah, have been developed to ease and support the transportation of worshipers and pilgrims between those three cities. This brings the potential for increasing the number of pilgrims and worshipers coming into Saudi Arabia as reported by Gulf News (2018:n.p) as “...the service is expected to carry up to 60 million passengers a year, including millions of Hajj and Umrah pilgrims”.

(B) General Tourism

In terms of general tourism, Saudi Arabia hosts many historical and archaeological sites, that some of which have never been seen before. Leisure travel is an important focus of Vision 2030, and Saudi Arabia is able to offer one of the most beautiful sea coasts. This has led the government to launch the ‘NEOM’ project, which

is the world’s first independent international zone spanning three countries. It will be the world’s new disruptor destination. A leading global hub that heralds the future of human civilization by offering its

inhabitants an idyllic lifestyle, NEOM seeks to attract top quality talent from around the world to push the boundaries of innovation (NEOM.COM, 2017:1).

An opportunity is provided by the fact that “official Saudi tourism data shows that since the Arab uprisings Saudis have predominantly taken their holidays in other GCC states, whereas previously they were more likely to visit non-GCC Arab countries” (Kinninmont, 2017:30). Such information had led to the government focusing upon internal resources and sceneries that could be attractive to both Saudis and non-Saudis, encouraging them to take their vacations in Saudi Arabia. Further, “Saudi Arabia announced plans...to build a 334 sq. Km “entertainment city” south of the capital Riyadh, to feature sports, cultural and recreational facilities including a safari and a Six Flags theme park” (Paul, 2017:n.p).

In addition to the above, various other projects have been initiated to facilitate visiting historical cities, such as Madain Saleh: “In 2008, Madain Saleh was selected as one of UNESCO’s historic heritage sites, making it the first World Heritage property to be inscribed in Saudi Arabia” (Al-Sulami, 2017).

Consequently, the Ministry of Tourism launched projects to prepare the sites for tourists, by renovating and developing programmes and the training of Saudis to be guides at these sites. Also, the construction of the NEOM project is considered to be “one of the largest cities to run without fossil fuels” (Garfield, 2018:n.p). The government plans to utilise such resources to reduce its reliance on oil and promote other “industries, such as energy and water, biotechnology, food, advanced manufacturing and tourism, according to officials” (Akbar, 2018:n.p).

3.2.3.2 Logistics

The Saudi government has announced the establishment of a new connecting bridge between Saudi Arabia and Egypt, which will connect the African continent with Asia via Saudi Arabia. This will be an invaluable link, which in turn will allow Saudi Arabia to be at the hub of different types of trading and logistical functions that pass through the Kingdom. Both the Saudi and Egyptian governments agreed on this project, which was announced on the second day of the King’s visit to Cairo in April 2016 (BBC, 2016).

3.2.4 The Culture

Although the Saudi lifestyle may be considered ultra-modern and high-tech, the country is very conservative and driven by deep religious beliefs (Rice, 2004; Akoum, 2009). Mellahi (2006:97) said that Saudi Arabia "...is the most conservative of all the Arab states". Religion is the thrust that drives life and business in Saudi Arabia (Rice, 2004).

Looking at the culture, Weir (2003:4) suggested that "Hofstede's typology (1991) provides a widely-understood framework". Hofstede's model and its cultural dimensions facilitate the understanding of various observable cultural aspects in Saudi Arabia as it has been suggested that the model helps in understanding the influence of the national culture upon "some Arabian communities" (Obeidat et al., 2012:512). Adopting the cultural dimensions established through the work of Geert Hofstede, Figure 3.2 shows that the culture in Saudi Arabia is higher in power distance, masculinity, and uncertainty avoidance, and less individualistic, (i.e. more collectivist) than the rest of the Arab world (Mellahi, 2006).

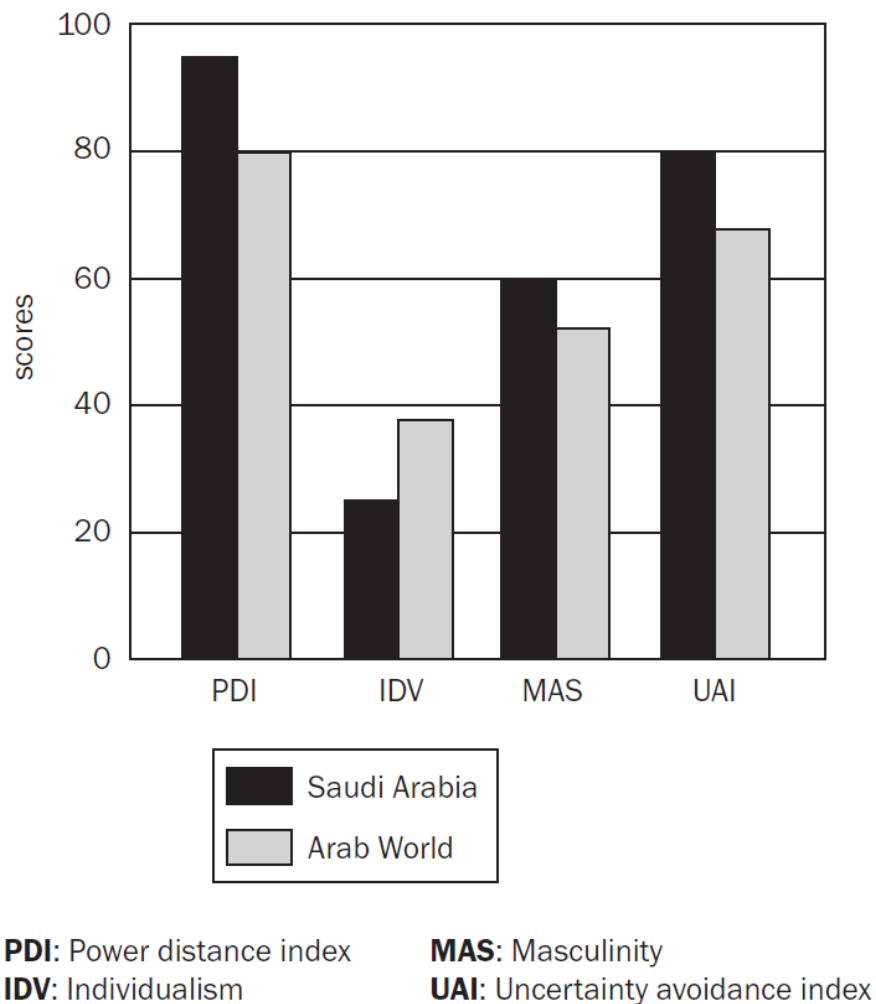


Figure 3.2 Comparative National Cultural Dimensions: Saudi Arabia and the Arab World

(Mellahi, 2006:104)

Having a collectivist culture implies that “...the Saudi management style is said to be focused on the group rather than individuals. There is a sense of moral obligation on employers and employees to improve their relationship in order to strengthen organisational solidarity” (Harbi et al., 2017:4). This collectivism comes as Saudis pay special attention to loyalty, generosity, justice, as well as family, community and business relationships. Relationships and trust are embedded in the fabric of conducting business in Saudi Arabia; as Weir and Hutchings (2005:92) comment:

the basic rule of business in the Arab world is socialization and there is a need to establish a relationship first, then to build connections, and only actually come to the heart of the intended business at a later meeting.

Moreover, the high power distance score is indicative that people expect to be guided and told what to do by senior management, it is expected and desired to have inequalities between managers and subordinates (Hofstede, 2001). In the case of Saudi Arabia, Bhuian et al. (2001:29) stated that

most firms in Saudi Arabia are oriented toward traditional and bureaucratic type of management practices.... In general, a Saudi manager would expect employees to do whatever they are told to do, and employee's being left on his or her own may be viewed as an indication of the management's dissatisfaction towards the employees.

Thus, "...power and authority in Arab society are influential determinants of manager employee relations" (Harbi et al., 2017:5).

In addition, "Arab culture is a masculine culture" (Abdalla, 2006:132) as the role of women is strongly confined within the family domain (Weir, 2003). However, a change in women's roles has been reported recently, as Thompson (2015:18) stated that "...increased political support for women during King Abdullah's reign provided opportunities for empowerment, Saudi women find that leadership and decision-making positions have increased in both the public and private sectors".

Uncertainty avoidance is another dimension that is characteristic of Arab culture. According to Weir (2003: 4) "...they [Arabs] are not frightened of other cultures, but nor do they wish to become assimilated to them". Nonetheless, among Arab nations, Saudi Arabia holds a high score (Figure 3.2) as Bjerke and Al-Meer (1993:32) state:

Saudi managers, as [Muslims] and Arabs, do not tolerate persons who deviate from Islamic teachings and Arab traditions. They are very loyal to their organizations. Also, Saudi managers do not like conflict. However, if they are forced, they solve it by authoritarian behaviour.

Nonetheless, the authors report that in reality, rules are not applied that often as they are more "fluid and elastic", yet for an outsider, they seem to be rigid, thus, "you have to be an "insider" to understand how these systems work" (32).

Another important cultural characteristic is "saving-face", which is linked to uncertainty avoidance so "...to cause someone to lose face should be avoided at all costs" (Abdalla, 2006:137). In fact, "saving-face" is a very problematic issue as people would take extreme measures "...to protect the dignity and to avoid loss-of-face of the criticized person" (van de Bunt-Kokhuis & Weir, 2013:26).

Also, the way Saudis conduct business links to bonding and building trust with those linked to the new business. For example, a business could require a meeting with new individuals (i.e. investors, consultants, partners), yet, Saudis

tend to avoid getting directly to the topic or the business at hand (this is considered as rude behaviour and a sign of impatience) and prefer instead to loop around by starting with introductory greetings and social talk before getting to the business at hand, relaxed and long informal settings lend themselves to such decision-making processes (Mellahi, 2006:106).

Another significant cultural aspect is "favouritism". It is a widespread phenomenon throughout the Arab world, so it is very common to find a job opportunity given to a less qualified person, simply based on a close relationship to a powerful person in the firm. This phenomenon occurs more frequently in public firms, which pay less attention to competencies and credibility (Rice, 2004). This phenomenon, within the Arab world, is known as *Wasta*.

3.2.4.1 *Wasta*

It is argued that "...collectivism is a useful concept because in Saudi Arabia; it is linked to the cultural practice of *Wasta*" (Harbi et al., 2017). *Wasta*, originally referring to intermediation, is a phenomenon that encompasses different concepts, such as cronyism, nepotism, patronage, and favouritism (Cunningham et al., 1994; Weir, 2003; Neal et al., 2005; Hutchings & Weir, 2006a; 2006b; Mohamed & Hamdy, 2008; Tlaiss & Kauser, 2011; Al Ruwaili et al., 2013; Harbi et al., 2017). According to Hutchings and Weir (2006a:143)

Wasta involves social networks of interpersonal connections rooted in family and kinship ties and implicating the exercise of power, influence, and information sharing through social and politico-business networks. It is intrinsic to the operation of many valuable social processes, central to the transmission of knowledge and the creation of opportunity.

The different concepts and interpretations of *Wasta* are exercised throughout the Kingdom, ranging from minor issues such as getting a driving licence to hiring someone close (Mohamed & Hamdy, 2008) and progressing up the ladder to more complex matters, such as securing a government contract or bid and projects. It is very common, in Saudi Arabia, to find that a person with poor qualifications was favoured over

another applicant with a better or higher qualification, directly due to having strong or 'big' *Wasta* (Mellahi, 2007; Mohamed & Hamdy, 2008).

The norm and acceptance of *Wasta* is deeply entrenched in Saudi Arabia as people enjoy an extraordinarily strong sense of belonging, with close ties to their relatives, family members, tribes, and kin (Cunningham et al., 1994; Abdalla et al., 1998; Weir & Hutchings, 2005; Neal et al., 2007), who are expected to help each other. *Wasta*, therefore, could be viewed as a form of corruption as suggested by many authors (Abdalla et al., 1998; Doig & McIvor, 2003; Neal et al., 2007). Nonetheless,

Whether one sees *wasta* negatively, as mere corruption, or more positively as an Arab version of individualized consideration, there is no escaping that it is integral to Arab social life, business and leadership (Neal et al., 2007:293).

Again, scoring a high index in the power distance dimension provides a nurturing medium for *Wasta* to grow and be utilised more easily, as people are pre-conditioned, and therefore, prone to following all directives and instructions from their superiors (Neal et al., 2005). Such a deeply rooted cultural aspect may seem surprising, as it contradicts the teachings of Islam, where it is taught that the most qualified person should be hired (Mohamed & Hamdy, 2008). Also, it was asserted by the Prophet Mohammed (PBUH), in a Hadeeth, that there is no difference between people except in piety. This teaching directs us to look at people as equals, without being swayed by their colour, gender, nationality, or relationship. However, the unfortunate lack of adherence to the teaching of Islam has been reported by many scholars (Ali, 1995; Al-Shaikh, 2003; Obeidat et al., 2012) as explained as a norm established in the pre-Islamic era, where mediation was a means of survival in a harsh environment. According to Mohamed and Hamdy (2008:2) "It is important to note here that although the use of *Wasta* is firmly implanted in the Arab culture, it is inconsistent with Muslim teachings regarding hiring practices". Nevertheless, such inconsistency "...does not deny the fact that Islam is still the most prevalent religion in Arab countries and that it affects almost every aspect of their behaviour (Obeidat et al., 2012:517).

3.3 Islamic Perspective on Aspects Related to the Research

In the previous chapter, a global overview of privatisation along with the various methods and ways in which it has been implemented by various countries was provided. However, because from the outset the privatisation phenomenon has been the focus of

most developed countries, most of the literature and implementation methods are embedded within the Western perspective and culture.

Therefore, by providing an Islamic perspective on different aspects that are relevant to the research topic and privatisation, it is hoped to contribute to the literature on the subject, while at the same time providing a platform of knowledge which other Islamic countries may wish to consider or follow. Because privatisation brings about significant changes in firms' ownership, ethos, incentives, competition, and regulations, examining it in an Islamic research environment, such as Saudi Arabia, will contribute positively to the existing literature.

This section briefly presents the Islamic perspective on ownership and incentives, competition, and regulations, which will provide insights into the underlying reasons associated with the approaches taken by the Saudi government. The following subsections contain a brief history of *Shari'a* Law, followed by the ways in which public administration, ownership, the role of the State, and private ownership are embedded within the Islamic faith.

3.3.1 The *Shari'a* Law

In the case of Saudi Arabia, the Law is derived mainly from two primary sources: the *Qur'an* and the *Sunnah*, which is the *Hadeeth*. For those of the Islamic faith, the *Qur'an* is believed to be the Word of Allah (God) that was revealed to Prophet Muhammed (PBUH) and the *Hadeeth* is "...collected anecdotes about [Muhammed's (PBUH)] words and actions accepted as authentic by religious scholars" (Wynbrandt, 2010:30). Those two sources led to the development of *Shari'a* (Islamic Jurisprudence), which "...provides rules for political and social as well as legal conduct" (ibid:87).

Further, Osman (2001:10) stated that

Early jurists gathered out from the various rules of Islamic Law (*Shari'a*) held that its goal is securing and developing the human being in these five basic areas: life, family and children, mind, freedom of faith, and rights of ownership whether private or public.

The *Shari'a* Law has been interpreted and understood through the understanding of *fiqh*, which is the science of *Shari'a*. *Fiqh* is divided into three main fields; 1) *fiqh alibadat* focuses upon teachings and the way of worshiping Allah. 2) *fiqh almuamalat* focuses upon the way people interact and go about their business with others, so it reflects the

civil and legal regulations among people, 3) *figh aluqubat* deals with punishments (Wynbrandt, 2010).

The country of Saudi Arabia has taken “Islam as its constitution” (Saudi-Embassy, 2017:12), so *Shari’a* as a law, in 1926 and 1927, was adopted throughout Saudi Arabia (ibid: 87). Since then “...the Saudi legal system has been administered according to the *Shari’a* by a system of religious courts” (Cordesman, 2003:4). For this reason, it is necessary to briefly cite relevant parts of the *Qur’an* and *Sunnah* in order to place the process and implementation of privatisation in Saudi Arabia in context.

3.3.2 Public Administration in Islam

Public administration is addressed in the *Qur’an* and *Sunnah*, which instruct people to observe justice when dealing with one another and to take impersonal decisions (Syafiqa, 2012).

The *Qur’an* says:

O you who believe! Stand out firmly for justice, as witnesses to Allâh, even though it be against yourselves, or your parents, or your kin, be he rich or poor, Allâh is a Better Protector to both (than you). So follow not the lusts (of your hearts), lest you may avoid justice, and if you distort your witness or refuse to give it, verily, Allâh is Ever Well Acquainted with what you do (*Al-Nisaa*, 4:134).

Further, the *Qur’an* says that justice should be exercised among all people not only Muslims (Syafiqa, 2012).

O you who believe! Stand out firmly for Allâh and be just witnesses and let not the enmity and hatred of others make you avoid justice. Be just: that is nearer to piety, and fear Allâh. Verily, Allâh is Well Acquainted with what you do (*Al-Maida*, 6:9).

And similarly, the *Qur’an* has many verses that emphasise the concept of a just and welfare oriented society. As such Khan et al (1985:3) stated that

The Islamic social framework can be expressed in terms of three fundamental conceptions: sovereignty of Allah, equality of mankind and the principle of co-existence... [which can be established] based on the following nine criteria:

1. fair balance between worship and work;
2. human equality;

3. mutual responsibilities and co-operation in a society;
4. distributive justice
5. family, intra-family and collective obligations carrying individual responsibilities and accountability;
6. balanced and beneficent use of the “bounty of Allah”;
7. limited sovereignty of people in society;
8. the principle of co-existence; and
9. freedom of action and conscience.

Further, Islam reflects the impact of decisions on public affairs, thus, the important concept of *Shura* is emphasised, which is a method of taking decisions through consultation. It is important, however, to highlight that *Shura* “...is not a democratic process in the sense of majority vote” (Syafiqa, 2012:11). As Osman (2001:10) explained, the concept of *Shura* is developed based upon the fact that humans have “...relative knowledge and no absolute power”. As such, they hold equal rights with no superiority or distinction above one another. Therefore, when it comes to making decisions that affect others, no one has the ability or absolute knowledge when making those decisions.

Hence, in the *Qur’an*:

We raise to degrees whom We please, but over all those endowed with knowledge is the All-Knowing (Allâh) (Yusuf, 12:76).

In essence, *Shura* became a practical method of seeking advice as well as consulting others whilst making decisions on issues that concern or affect others. Among the *Qur’an’s* 114 *Surah* (sections) is; one of those sections is called *Ashura (The Shura)*, which signifies the importance of the concept.

The *Qur’an* states:

And those who answer the Call of their Lord [i.e. to believe that He is the only One Lord (Allâh), and to worship none but Him Alone], and perform *As-Salât (Iqâmat-as-Salât)*, and who (conduct) their affairs by mutual consultation, and who spend of what We have bestowed on them (Ashura, 25:38).

Thus, as Syafiqa (2012:10) stressed “...the most important variables in Islamic administration, are the individual, the *Shura* and the *Shari’ah*”. Therefore, *Shura* is of

high importance, since Allah has commanded the Prophet PBUH to rely on it when making decisions that are in the public's interest.

It is conveyed in the *Qur'an*:

And by the Mercy of Allâh, you dealt with them gently. And had you been severe and harsh hearted, they would have broken away from about you; so pass over (their faults), and ask (Allâh's) Forgiveness for them; and consult them in the affairs. Then when you have taken a decision, put your trust in Allâh, certainly, Allâh loves those who put their trust (in Him) (Al-Imran, 4:158).

Finally, as a core guidance whilst dealing with public administration, justice, the following is of great importance, particularly when judging among the people.

This is revealed in the *Qur'an*:

Verily! Allâh commands that you should render back the trusts to those, to whom they are due; and that when you judge between men, you judge with justice. Verily, how excellent is the teaching which He (Allâh) gives you! Truly, Allâh is Ever All Hearer, All Seer (Anissa, 5:58).

All of the above quotations from the *Qur'an* specifically related to *Shura* inform not only Muslims but also non-Muslims of the basis upon which public administration decisions are made.

3.3.3 Ownership in Islam

Ownership in Islam is viewed from the perspective, reflected in the *Qur'an*, that it was God who created humankind and assigned them the role of *Khalifa* (vicegerent). As such, many verses in the *Qur'an* reflect that the earth and heavens belong to God, and the view is that humans are deputies or tenants who have been trusted by Allah to utilise these lands.

The *Qur'an* states:

The earth is Allah's. He gives it as a heritage to whom He will of His slaves (Al-A'raf, 8:128)

Therefore, it is reported that Prophet Mohammed (PBUH) granted sections of land to his companions. This is called *Iqta'* (land reclamation): "...either to reconcile their hearts or for the sake of encouraging the reclamation of land" (Abd Al-Kader, 1959:5).

Thus, following the actions of the Prophet (PBUH), the *Khalifa* used the same compassionate method in granting people lands, and those who came into possession of land became the owners of it, so could dispose of it as they pleased (ibid).

It was reported in a *Hadeeth* (an anecdote) of the Prophet (PBUH) that he said: “One who revives a land (i.e. makes it cultivable) has the right to own it” (Al-Asqalani, 1986, No. 2210, pp. 23).

However, it is important to understand that allocating or granting lands to people had to serve a purpose. It has been reported that Omar Ibn Alkhatib, the second *Khalifa* after the Prophet (PBUH), took back land that was given by the Prophet (PBUH) to one of the companions (Bilal). The reason given by Omar Ibn Alkhatib was, “God’s messenger [(PBUH)] has not granted you this land so that you should merely prevent other people from holding it, he granted it to you in order to work it. Take whatever you can cultivate, and return the rest” (Abd Al-Kader, 1959:5). Thus, in Islam, the idea is not allotting or acquiring land for the sake of ownership, but rather, in order to utilise it and benefit from it.

Furthermore, in Islam, owning land could be achieved through cultivation. That is if the land has no owner and is not an inheritance of anyone else, then once a person cultivates it, he can own it. However, permission would need to be granted by the *Khalifa*, subject to confirmation that there is no ownership by anyone else and that the cultivation of the land in question had taken place (ibid).

These principles show that property ownership in Islam is subject to the expectation of socio-economic benefit, as explained by Abdul-Mannan (1982:6-7):

Again, while the right to private property is clearly recognised in the [*Shari'a*], the extent to which it is to be allowed is relative to socioeconomic conditions. Thus the use of ethically-based economic reasoning is to be directed to infer behaviour patterns appropriate for the achievement of deliberately selected objectives.

The above relevant sections of the *Qur'an* form the basis for understanding why and how privatisation in Saudi Arabia was undertaken within the religious and cultural demands of Islam.

3.3.4 Role of the State in Islam

Continuing an attempt to offer a background of the religious and cultural demands that are embedded within the lives of Muslims, in order to understand the role of an Islamic State such as Saudi Arabia, Khan et al (1985:2) summarised the underpinning ethos of the role of the state when he wrote:

the social authority in the form of the state which is recognized by Islam for the prevention of exploitation and moral degeneration as well as for [the] promotion of material and spiritual interest of man is to be understood from this angle of social vision.

Thus, the role of the state is seen as being closely linked to “...public affairs, including the domain of politics, economics or social justice” (Boudjellal, 2004:1). On this subject, looking to the *Qur'an*, as the main source of direction, Allah says:

O ye who believe! Obey God, and obey the apostle, and those charged with authority among you (Al-Nisa, 5:59).

This directive suggests that people should obey those in charge. Nonetheless, those in charge have the duty of taking decisions on behalf of the people in a manner conducive to the collective good and welfare of the public (Boudjellal, 2004).

It has been argued that any Islamic ruler holds many responsibilities in terms of exerting huge efforts to ensure that the making of decisions is for the good of the people and not for personal gain. It was reported that Omar Bin Al-Khattab (the second *Khalifa*) advised one of his companions (Abu Musa Al-Asha'ri) that “...the best of men are those who's folks prosper under their ruling and the worst are those who's folks face hardship under them” (Abu-Yusuf, 1392:14-15).

Scholars agree that the role of the state is the “...elimination of poverty, supply of necessities, provision of justice and fair distribution, the establishment of peace and security, promotion of human values, and building infrastructure for development of the economy” (Islahi, 2005:60). Thus, the state's primary role lies in enforcing the Law in a way that makes each individual fulfil their responsibilities towards society as a whole. However, Khan *et al* (1985) advocated that the Law can only be obeyed provided that it does not conflict with *Shari'a*. Consequently, this raises the dilemma of how private ownership serves public interests.

3.3.5 Private Ownership in Islam

Whilst private ownership is recognised in Islam, nevertheless, ownership is “relative, not absolute”, as the *Qur’an* states that everything belongs to Allah. Many verses stress such ownership, whereby, as explained earlier, humans are considered as *Khalifa* (vicegerents, tenants).

The *Qur’an* states:

And to Allah belongs the dominion of the heavens and the earth and all that is between them, and to Him is the return (of all) (Al-Ma’ida, 6:18).

In addition, in another verse:

To Allah belongs the dominion of the heavens and the earth and all that is therein, and He is Able to do all things (Al-Ma’ida, 6:120).

Thus, relative ownership means that individuals can have ownership provided that there is no misuse of this ownership. Consequently, the state has the power to take action and arbitrate if a case of misuse is found and confirmed (Khan et al, 1985).

According to Khan et al (1985:4), by studying *Shari’a*, eight rules have been drafted that govern private ownership in Islam:

1. Continuous use of property as non-use of property is not allowed having implications for land reform in many Muslim countries.
2. Payment of *Zakah*: Owner of the property must pay *Zakah* in proportion to property owned subject to the rules of the *Shari’ah*.
3. Beneficent use of property.
4. Use of property without causing any harm to others having implications for state intervention.
5. Lawful possession of property; acquisition of property through “*halal*” means.
6. Balanced use of property: use of property not in a prodigal or parsimonious way.
7. Use of property for the purpose of securing for himself due benefits; utilisation of property for securing undue benefits in social, economic affairs to the neglect of the larger interest of the community is not permissible.

Rightful application of the law of inheritance, as the institutions of inheritance, seeks to break up the concentration of wealth and income that occurs through transfer of property in the secular economies.

In addition, Islahi (1984) concurs with the view of Ibn al-Qayyim, a respected Islamic juris-consult, when he recommends

State intervention in private property if individual owner uses his property against the larger interest of the society. In this connection he infers especially from *Hadith al-`Itq* (Tradition of Emancipation). A jointly owned slave was freed by one of the masters, but the other master refused to do it. The Holy Prophet (be peace on him) decreed that the just value of the slave be assessed and the other partner be asked to accept his share of it. When it was done, the slave was freed. After quoting this *Hadith*, Ibn al-Qayyim writes that this tradition provides a basis for the rule that indivisible jointly owned objects would be sold and price would be distributed among the partners if one of them demands it. The tradition also supports the rule that if someone has to be compensated, he should be compensated by a just price (Islahi, 1984:4).

3.3.6 Concept of Favouring Kindred

Islam promotes harmony and looking after parents and family. Further, when a person aims at doing good to others, it favours helping first those close to you. Many verses in the *Qur'an* promote such meaning.

They ask you (O Muhammad [PBUH]) what they should spend. Say: Whatever you spend of good must be for parents and kindred and orphans and *AlMasâkin* (the poor) and the wayfarers, and whatever you do of good deeds, truly, Allâh knows it well (Al-Baqara, 2:215).

Furthermore,

But kindred by blood are nearer to one another regarding inheritance in the decree ordained by Allâh. Verily, Allâh is the All-Knower of everything (Al-Anfal, 9:75).

Hathout (1989:106) states that,

In the Arabic language, "al-rahim (and its plural "arham") means the womb (and wombs). However, al-rahim is not only an organ where the embryo develops, it also refers to a value/concept of blood relations and the tie of compassion that binds them together (silat al-rahim).

Further, many hadeeths teach us that a person should look at the closest of his or her kindred and relatives as in a circle and go outwards as it was narrated that

The Prophet [PBUH] said to Abu Talha, "I recommend that you divide (his garden) amongst your relatives." Abu Talha said, "O Allah's Messenger [PBUH]! I will do the same." So Abu Talha divided it

among his relatives and cousins (Sahih al-Bukhari 2752, Book 55, Hadith 15).

Such teachings encourage a person to look after the welfare of his or her kindred and feel for them, which in turn would provide a united coherent society.

3.4 Privatisation in Saudi Arabia

Despite the fact that the Saudi government adopted a privatisation strategy in the mid-1980s, it was not until 2001 that much more concentrated attention and effort was given to actually implementing it when the government established SEC to oversee and coordinate all privatisation programme activities.

Privatisation, from the Saudi perspective, is defined as

The process of transferring the ownership or management of Public enterprises, projects, and services to the private sector, relying on market mechanisms and competition, through a number of methods including contracts for managing, operating, leasing, financing, or selling all or part of the government's assets to the private sector (Supreme Economic Council, 1997:n.p).

Further, SEC (1997) has identified eight main objectives that made up the Saudi privatisation programme:

- 1) Enhance the economic conditions by opening up the market and allowing investors to compete in certain sectors.
- 2) Stimulate and support private sector participation in the economy.
- 3) Distribution of wealth among Saudi nationals through owning shares of privatised firms.
- 4) Establish an attractive and appealing environment for foreign and domestic investors
- 5) Increase employment opportunities for Saudi nationals
- 6) "Provide services to citizens and investors in a timely and cost-efficient manner"
(n.p)
- 7) Reduce the financial burden on the government and allow for optimum utilisation of available government expenditure.
- 8) Increase privatisation financial gains from the sale of SOEs

The Saudi privatisation plan targets several sectors, including health services, telecommunications, airlines, education services, public utilities, waste management, and railways (Saudi-Embassy, 2004b).

However, there are certain sectors, such as oil and petrochemicals that are not to be open to private investors for a variety of reasons: the main one being the main sources of revenue for Saudi Arabia. These exemptions are known as the “negative list”.

However, despite the exclusions cited above, SEC policy allowed SOEs to recommend privatisation projects, in addition to sharing the responsibilities for managing them (Akoum, 2009).

Therefore, SEC has developed a privatisation model that includes both administrative structure decision making procedures as well as detailed implementation processes, as well as who or which government agency will be responsible for that specific step in the procedures, as outlined in Figure 3.3 below.

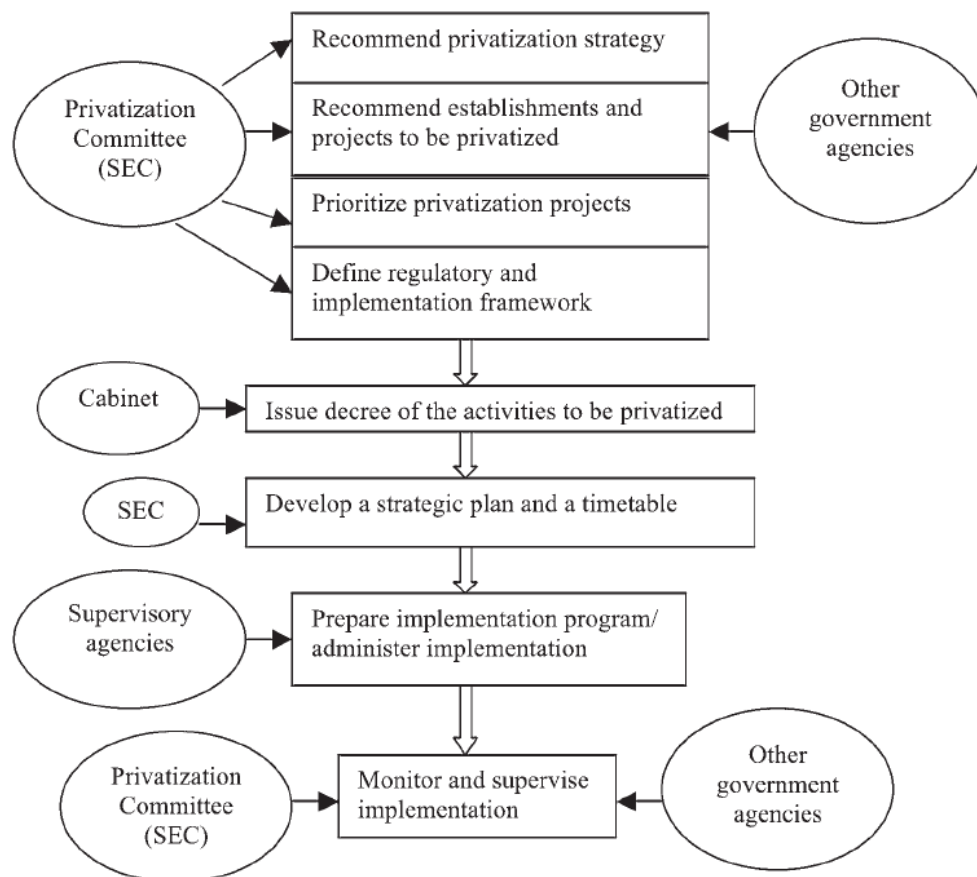


Figure 3.3: The Saudi Privatisation Model

(Akoum, 2009:431)

Having briefly outlined the historical development and the adopted privatisation model, the rationale behind the decision making of its implementation will now be addressed.

3.4.1 Motives for Privatisation: Saudi Arabia vs other Countries

Although privatisation is an international phenomenon that has gained much attention globally, the motives and forces behind the adoption of privatisation strategies by the Saudi government are a mixture that is driven by external forces and internal influences of religion and culture.

The external forces that Saudi Arabia faces, similar to other nations around the world, come through the pressure of financial constraints due to instability and reduction of oil prices, the main mainstay of the Saudi economy (IMF, 2006; Akoum, 2009; Ramady, 2010). Bel and Fageda (2007) asserted that financial aspects are the most important reason behind privatisation.

For example, Ramady (2006) explains how financial constraints contributed to the initiation of the Saudi privatisation programme as follows:

For Saudi Arabia, privatization has been a strategic choice, necessitated by the forecasted capital expenditure needs of the Kingdom in key service areas over the next 20 years, estimated at around \$800 billion or SR3,000 billion for infrastructure projects, petrochemicals, electricity and water, telecommunications, gas, agriculture and information technology (n.p.).

A similar driving force has been reflected in the cases of the USA (Savas, 1987; Clements, 1994), UK (Wiltshire, 1987; Moore, 1992; Miller, 1994), France (Berne & Pogorel, 2004) Africa, Asia, Latin America, and Western Europe (Vernon, 1988), and OECD countries (OECD, 2003).

In addition, Cramer and Bayliss (2003) claimed that World Bank reports have played a major part in imposing the privatisation strategy on developing and under-developed countries. However, it has been suggested that this was not so in the Saudi case.

Shahzad (2003), reporting an interview with Mr. Nassir M. Al-Ajmi, a veteran Saudi professional manager who served as executive vice president of the Saudi Arabian Oil Company (ARAMCO) and President of the Saudi Railway Organization, stated that

the drive to privatize has been for the establishment of an effective process which will satisfy and maintain sustainable social progress

and economic growth in a dynamic and competitive world economy. Therefore, Saudi privatization plans have been a national Saudi idea/goal for quite some time and were not due to pressure from [the] IMF or anyone else (n.p.).

Another external force that promoted privatisation and market liberation in Saudi Arabia was the participation in international agreements, such as the World Trade Organisation (WTO) (Aman Jr, 2000; Shamsul-Haque, 2001; Cramer & Bayliss, 2003). The part played by Saudi Arabia's aim of joining the WTO is influencing the adoption of the privatisation policy by the Saudi government is suggested by Mellahi and Wood (2003:138):

In order to lessen its dependence on oil and given its desire to join the ... [WTO], Saudi Arabia has recently been making genuine efforts to liberalise its economy by giving more responsibility to the private sector, and to speed up integration into the world economy. Saudi Arabia has signalled its commitment to reforms by instituting several laws and policies (e.g. privatisation laws, investment laws, and new FDI laws) to stimulate competition.

On the other hand, internal forces were also influential, such as dissatisfaction with the performance of SOEs. Many nations have perceived privatisation as the cure for the low performance of public firms, such as in the UK (Bishop & Kay, 1990), USA (Goodman & Lovemen, 1991) Germany (Bel, 2006), Hungary (Antal-Mokos, 1998), Middle East and North Africa (Amico, 2012), and developing countries (Aylen, 1987). Similar problems have been experienced in the Saudi public sector as it had suffered from over-staffing issues, inefficient utilisation of public resources, and bureaucracy. However, a key factor in the Saudi context, which could be found in other Arabic/ Islamic nations, is the drive and level of intentions that the government put towards the decisions made in privatising public firms.

Having the *Qur'an* and the *Sunah* as the constitution of governing the country, the Saudi government feels a strong obligation towards its people. Many verses in the *Qur'an* and *Sunah* identify the importance of taking care of those under a persons' control or command. Further, people are responsible for their subjects/workers throughout all the different levels of business and in community life, as reflected in the Hadeeth:

The Prophet [PBUH] said, "All of you are guardians and are responsible for your subjects. The ruler is a guardian of his subjects, the man is a guardian of his family, the woman is a guardian and is

responsible for her husband's house and his offspring; and so all of you are guardians and are responsible for your subjects." (Al-Bukhari and Muslim, Book 1, Hadith 283).

Such moral, ethical and religious obligation led the Saudi government to issue many decrees that protect public employees and prevent the new owners of the privatised firms from sacking them. It mandated that employees' pay and benefits cannot be tampered with or reduced in any way. Despite the above, because public firms suffered from overstaffing, the government gave the people a choice between voluntary retirement and keeping their jobs until reaching the retirement age of 60.

Also, another distinctive feature that is unique to Saudi Arabia is the process of taking decisions, which is again driven by the teachings of Islam,

The Qur'an says:

And those who have responded to their lord and established prayer and whose affair is [determined by] consultation among themselves, and from what We have provided them, they spend (Ashura, 38).

Also, in another verse,

And consult them in the matter. And when you have decided, then rely upon Allah (Al-Imran, 159).

Such direct commandments led the Saudi government to have the *Shura* Council review all issues that matter to the people and their welfare. The *Shura* Council examine the issues referred to them, and then make recommendations to the government. Such issues could result in delaying the decision making process, as it raises a fundamental issue, that nobody knows what the future holds, and nobody wants to carry the burden of matters that impact the lives of others.

The Qur'an says:

We raise to degrees whom we please, but over all those endowed with knowledge is the All-Knowing (Allâh). (Yusof, 12:76).

Thus, having the *Shura* Council facilitate the sharing and examination of different views and opinions of people helps the government in making better-informed decisions.

Nonetheless, motives for privatisation are too complex to be itemised: as Pitelis and Clarke (1993:6) asserted; "...the drive for privatization is more complex, and more political than pure market versus planning". According to the Ministry of Economy and

Planning, the decision to privatise was not imposed by anybody but taken simply "...because we believe in it" (Ministry of Economy and Planning, n.d.). Such view is reflected in Vision 2030, which refers to the wish to diversify the economy through the participation of the private sector, which could only be achieved through opening the market up to competition (Vision 2030, 2016). Therefore, with such diverse arguments, it is suggested that the adoption of the privatisation strategy, as in the case of Saudi Arabia, can be attributed to both internal and external factors (Akoum, 2009).

3.4.2 Saudi Privatisation Programme

The Saudi privatisation programme has been criticised for lack of progress (Akoum, 2009). Al-Sarhan and Presley (2001) suggested that the main reason behind the slow progress in the Saudi privatisation programme was the under-development of the private sector. This led the Saudi government to employ a phased approach in implementing its privatisation programme. Other reasons are identified, in a study of 115 managers within the public and private sectors by Al-Buridi (2008), who highlighted that privatisation progress was slow due to many factors: the large numbers of concerned bodies; overlapping responsibilities; complex approval process; employees' resistance to change, along with the limited availability of the needed skills and knowledge in designing, implementing, and monitoring the privatization projects.

However, criticism regarding the speed of the privatisation process is challenged by state officials, as the head of SEC explained whilst claiming that the privatisation plan is, in fact, on track. Moreover, he explained that time is of far less importance than implementing the programme in the "right way" (Abdulrahman, 2005:n.p).

Furthermore, the Ministry of Economy and Planning (n.d.) affirms such a view by highlighting the lengthy process required for establishing and developing regulatory bodies and policies.

Moreover, the IMF (2006) reported that in view of the Saudi conditions, the privatisation programme had been progressively moving in many sectors besides oil. However, their report stresses that certain actions would improve and boost the privatisation programme. These included identifying target dates for the identified steps in the implementation process. Furthermore, it is argued, by The Financial Times (November 20, 2002) that a misalignment between the government and private sector's objectives is the main reason for slow progress. This is because the government aims

and adopts a nationalisation strategy through employing Saudi nationals, whilst the private sector aims at reducing operating costs by employing foreigners, receive lower salaries than Saudi nationals (Rice, 2004).

3.4.3 Challenges of Privatisation in Saudi Arabia

Akoum (2009) stresses the presence of many technical concerns that are associated with the privatisation process in Saudi Arabia "...such as asset valuation, enterprise debt and terms of sale, the tendering process, an active capital market, and the proper regulatory environment, along with some social implications—namely, labour market issues and the distribution of wealth and power in the country". However, Younis (1996) suggested that at a regional level, Saudi Arabia faces the same type of challenges and difficulties that are found within MENA countries, due to similarities between their economic conditions.

According to Michael Klein, Vice President of the World Bank, Saudi Arabia holds a high ranking among nations in reforming, thereby being rated as seventh globally and second regionally. "... Saudi Arabia has one of the most aggressive targets in the world on jumping in those rankings. It is possible to reach them" (Qusti, 2007:n.p). Yet, he added that there are many issues that the Saudi government still need to deal with in order to reach those goals, which include "...business cultures and openness to competition" (n.p). Moreover, the report added that the main challenge that Saudi Arabia faces is improving its investment climate and in particular "...enforcing contracts...bankruptcy legislations, shareholder protection for equity holders, as well as access to credit" (n.p).

3.5 Concluding Remarks

Whilst, privatisation strategies have been adopted and supported by many nations throughout the world, the reasons behind the decisions to privatise differ greatly among nations. This has led scholars to examine privatisation more closely, particularly focusing upon the different circumstances and conditions that are associated with it in specific countries. Examples of privatisation theories and the drive behind privatisation are Beesley and Littlechild (1997); Haskel and Szymanski (1992); Willner (2003); in regard to prices and entry into inter-urban coaching are Thompson and Whitfield (1995); in methods and benefits of privatisation are Littlechild (1981); Robinson (1992);

Graham (2003); Megginson and Netter (2003); and in regulations, liberalisation, and reform that are associated with the privatisation process are Weyman-Jones (1990); Bös (2003); Saal (2003).

Moreover, whilst researchers have researched the privatisation processes of certain industrial utilities, such as Communications, Energy, Water, Steel, Transportation Industries, the main focus was primarily driven from economic and financial perspectives (cf. Littlechild (1988); Robinson (1992); Cowan (1994); Shaw (2000); Pollitt and Smith (2002); Allouche and Finger (2003); Ballance and Taylor (2005); Boggetti and Obermann (2008).

In contrast, much less attention was given to studying privatisation during its implementation phase and how organisations and employees were affected whilst undergoing the initial and subsequent privatisation process. Adding to this complexity is the fact that most of the privatisation theories, models, and performance prospectuses have been generated by Western societies. Thus, importing and implementing them in developing nations raises concerns in regard to their applicability and relevance to the religion and culture of the country concerned.

For instance, the Middle East, in general, and Saudi Arabia, in particular, have an operating environment characterised by a mixture of distinctive social and cultural norms that influences the way of conducting business. Hence, Weir (2001) argued that management in the Arab world in the Middle East is distinctly different, with unique characteristics that are worthy of exploring and researching. He proposed an Arab (fourth) paradigm in management when he raised the questions:

Is there a specifically Arab approach to management? What are its characteristics? What are the implications of a positive answer to these questions for other theories, of globalisation and of intercultural managerial behaviour? Is there a possibility of learning from this knowledge or at least of discovering here a “path not taken” as Robert Frost termed it? (Weir, 2001:2).

In terms of the privatisation process, the Saudi Arabian programme has been characterised by its very slow pace and lack of progress (Al-Buridi, 2008; Akoum, 2009). This has raised concerns as to the causes for such a lack of progress, in comparison to many countries, both developed and under-developed. Thus, it could be argued that the techniques and methods utilised by such countries may have allowed

them to flourish and evolve, to address many of the problems that are associated with the successful implementation of privatisation.

However, within the MENA region, the case is found to be very different, as it has not evolved around the planning and implementation privatisation, but more on the situational religious and cultural context of these countries. As such, these elements could be seen to have a substantial effect on the privatisation process.

To date, scant attention has been given to conducting a comprehensive study as to the effects of privatisation on employees and the dilemmas and difficulties that organisations face during the implementation process. Therefore, the intention and aim of this study are to attempt to fill in the present gap by researching how privatisation, change, and employees within SOEs are affected by the privatisation process, whilst concentrating on the Saudi social context.

3.6 Summary

This chapter has detailed underlying Islamic religious, cultural and societal background influences within which privatisation in Saudi Arabia is set. This was seen as essential, in order to inform the reader of the strong Islamic contextual background on which the Saudi government's decision making is based. As such, it was important to briefly detail the Islamic perspective and *Shari'a* Law, along with the concepts of public administration, ownership, the role of the state, and private ownership within the Islamic faith. This was followed with information on the decisions, challenges and implementation of the chosen method of privatisation in Saudi Arabia, the Saudi motives for privatisation and its privatisation programme, the specific challenges of privatisation in Saudi Arabia. The chapter identified the gaps in extant research that this study aims to fill. In the next chapter (4), the Research Methodology will be presented.

CHAPTER FOUR: METHODOLOGY

4.1 Introduction

This chapter will detail the preferred methodology utilised in this research study, along with details of the rationale as to why the researcher made the choices he did. This includes a brief outline of various academic scholars' approaches and discussion related to selecting research methodology, research paradigm, and research approach, along with outlining aspects of interviewing methods, developing interview questions, and conducting pilot interviews. These are followed with details of appropriate research sampling and data analysis along with why the software program, *NVivo* was used. The importance of the role of the researcher is addressed in three phases viz phase one: conceptual and theoretical work; phase two: empirical work; phase three: reporting and presenting the findings and results. The importance and need for research reliability and validity, translation and research ethics are then detailed, before a summary of the chapter laying the foundational platform for the next chapter of this study's results.

4.2 Research Methodology

Adams and Schvaneveldt (1991:16) identified research methodology as "...the application of scientific procedure towards acquiring answers to a wide variety of research questions". Selecting the methodology most appropriate to any study is key to producing ethically credible research results. Selecting appropriate methodology depends on numerous significant factors, such as the research topic, aims and objectives, justification for a preferred methodology and the research questions raised by the researcher. Consequently, Guba and Lincoln (1994:105) suggested that

both qualitative and quantitative methods may be used appropriately with any research paradigm. Questions of method are secondary to questions of paradigm, which [they] define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways.

Similarly, Saunders et al. (2005:106) states that "...questions about research methodology are of secondary importance to questions of which paradigm is applicable to your research". Therefore, they postulate that understanding research philosophy is the first step on the research journey.

4.2.1 Research Paradigm

Different philosophies reflect different notions of reality and how it is found and/or constructed. Equally, scholars have used different terminology when discussing research paradigms. For instance, Crotty (1998:1) highlighted that "...to add to the confusion, the terminology is far from consistent in research literature and social science texts. One frequently finds the same term used in a number of different, sometimes even contradictory ways". Whilst Collis and Hussey (2003) and Creswell (2013) used the term paradigm, Saunders et al. (2005) used the term philosophy. These labels are often used interchangeably among scholars when discussing research philosophies or paradigms.

Consequently, the notion of varied utilisation of the term paradigm was discussed and highlighted by Morgan (1979) when he suggested that the term paradigm could be used in three different ways:

First, there is the concept of paradigm in a meta-theoretical or philosophical sense, where the term is used to capture a complete view of reality, or "way of seeing." Second, there is the concept of paradigm relating to the social organization of science in terms of schools of thought built around a set of scientific habits connected with particular kinds of scientific achievements. Third, there is the concept of paradigm relating to the concrete use of specific kinds of tools and texts for the process of scientific puzzle solving. The relationships and distinctions between these three kinds of paradigms were confused in Kuhn's work, and have remained so in most of the literature which has utilized the paradigm concept (137).

Scholars such as Morgan and Smircich (1980); Collis and Hussey (2003); Easterby-Smith et al. (2008) emphasised that it is key to view the positivist and phenomenological paradigms as the converging ends of a continuum. The underpinning assumptions from a positivist view are that "...reality is externally and objective...and that knowledge is only of significance if it is based on observations of this external reality" (Easterby-Smith et al., 2008:57).

In contrast to positivism, Crotty (1998:9) warned that as "...meaning is not discovered, but constructed.... different people may construct meaning in different ways, even in relation to the same phenomenon". Easterby-Smith et al. (2008:58) emphasis that social constructivism "...stems from the view that 'reality' is not objective and exterior, but is socially constructed and given meaning by people". What is more, Creswell (2013)

highlighted that in a social constructivism approach the researcher seeks to make sense of (or interpret) the meanings that others have about the world, rather than starting with a theory (as in positivism). This is because, as Crotty (1998) emphasised, culture is of high significance to the ways in which human beings function and react. He explained that culture needs to be seen as the “...source rather than the result of human thought and behaviour” (53). Furthermore, he asserted that the development and generation of meaning are always embedded within a social context, as meaning always develops based upon the interactions within a human community.

Furthermore, it has been suggested that “...philosophical assumptions consist of a stance towards the nature of reality” (Creswell, 2013:16), which is in line with Crotty (1998:2) who argued that “...justification of our choice and use of particular methodology and methods is something that reaches into the assumptions about reality that we bring to our work”. Consequently, there are ontological and epistemological assumptions that are associated with different paradigms. According to Hamlyn (1995:242) epistemology “...is that branch of philosophy concerned with the nature of knowledge its possibility, scope, and general basis”. Crotty (1998:10) asserted that issues with both ontological and epistemological assumptions “...tend to emerge together”, as ontological assumptions are associated with the “...nature of reality”, whilst epistemological assumptions are concerned with “...how we know what we know” (Creswell, 2014). Moreover, it has been suggested that both quantitative and qualitative approaches can be utilised within any research philosophy. This is because the main determinant of such selection would be the research problem or phenomenon that is being investigated (Collis & Hussey, 2003; Saunders et al., 2005; Easterby-Smith et al., 2008). However, Collis and Hussey (2003) stressed that certain associations have developed between the utilisation of a quantitative approach and the positivist paradigm, which focuses more on numbers and measurement, on the other hand, qualitative research is more concerned with descriptive data in the form of words (Easterby-Smith et al., 2008). Similarly, Baumard and Ibert (2001:79) affirmed that “...it is conventional to correlate investigation with a qualitative approach and verification with a quantitative”, whereas Silverman (2014) also positions testing theories with quantitative and developing theories with qualitative approaches. Table 4.1 below illustrates the assumptions of the two main paradigms.

Table 4.1 Assumptions of the two main Paradigms

<i>Assumption</i>	<i>Question</i>	<i>Quantitative</i>	<i>Qualitative</i>
<i>Ontological</i>	What is the nature of reality?	Reality is objective and singular, apart from the researcher	Reality is subjective and multiple as seen by participants in a study
<i>Epistemological</i>	What is the relationship of the researcher to that researched?	Researcher is independent from that being researched	Researcher interacts with that being researched
<i>Methodological</i>	What is the process of research?	<ul style="list-style-type: none"> - Deductive process - Cause and effect - Static design – categories isolated before study - Context-free - Generalisations leading to prediction, explanation and understanding - Accurate and reliable through validity and reliability 	<ul style="list-style-type: none"> - Inductive process - Mutual simultaneous shaping of factors - Emerging design – categories identified during research process - Context-bound - Patterns, theories developed for understanding - Accurate and reliable through verification

(Collis & Hussey, 2003:49)

Equally, Saunders et al. (2005:108) highlighted that

as business and management researchers we need to be aware of the philosophical commitments we make through our choice of research strategy since this has [a] significant impact not only on what we do but we understand what it is we are investigating.

Such an argument leads to the dilemma that researchers face when trying to select the most appropriate methodology for their research. By way of example, Creswell (2014:4) stated that “...qualitative research is a means for exploring and understanding the meaning individuals or group ascribe to a social or human problem”. Furthermore, he suggests that qualitative researchers focus on the specific context in which people live and work in order to understand the historical settings and cultural backgrounds of the participants.

Researchers recognise that their own backgrounds shape their interpretation, and they position themselves in the research to acknowledge how their interpretation flows from their personal, cultural, and historical experience. Table 4.2 illustrates the strengths and weaknesses of different epistemologies.

Table 4.2 The Strengths and Weaknesses of different Epistemologies

	Strength	Weaknesses
<i>Positivist</i>	Can provide wide coverage. Potentially fast and economical. Easier to provide justification of policies.	Inflexible and artificial. Not good for process, meanings or theory generation. Implications for action not obvious.
<i>Relativist</i>	Accepts value of multiple data sources. Enables generalizations beyond present sample. Greater efficiency including outsourcing potential.	Requires large samples. Cannot accommodate institutional and cultural differences. Problems reconciling discrepant information.
<i>Social Constructionist</i>	Good for processes, and meanings. Flexible and good for theory generation. Data collection less artificial.	Can be very time consuming. Analysis and interpretations are difficult. May not have credibility with policy makers.

(Easterby-Smith et al., 2008:73)

It is important to consider such highlighted factors outlined above when undertaking a research study. So when considering this study's research topic, along with the behavioural and cultural aspects of the Saudi Arabian people and the fact that they are considered to be of a "...collective nature" as suggested by Cassell and Blake (2012), it is important to state that Saudi Arabian people care deeply about maintaining relationships through mutual trust. They are, therefore, very protective in regard to relationships, not only within the immediate family, extended family or immediate community but also in all aspects of life. As a result, this important factor affects their decisions and the way in which they conduct business. "The notion that an employee's primary obligation is often their family and friends impacts upon business in several respects" (ibid: 154).

Cassell and Blake (2012) asserted that Saudi Arabian people are very cautious and are very careful of their relationships with their superiors in order to avoid any conflicts. As such, the nature of Saudi people results in them, in general, being very much less open at conveying or sharing their views and opinions with outsiders. Also, they are very

sensitive about sharing information with outsiders and strangers, particularly when addressing organisational and strategic information, whereas, there is no reluctance or hesitation to share information with family members, among friends or with people whom they trust. This much more openly unconstrained interaction within the family and close extended community results in a more relaxed willingness to express a view towards the secrecy and sensitivity of the topic being discussed or explored (ibid).

Finally, Baumard and Ibert (2001:80) pointed out that "...the choice between a qualitative and a quantitative approach therefore seems to be dictated primarily in terms of each approach to effectiveness in relation to the orientation of the research; that is, whether one is constructing or testing". Therefore, in light of the outlined arguments offered above and the nature of this study's research topic, a qualitative approach is believed to be more appropriate for this research study as context plays a very significant role in understanding the privatisation phenomenon in Saudi Arabia and its impact upon how change has evolved and developed since the commencement of the privatisation project in 2006.

4.3 Research Approach

There are two main types of approaches - deductive and inductive, that are associated with different research philosophies. Berg (2001:246) stated that "in a deductive approach, researchers use some categorical scheme suggested by a theoretical perspective". On the other hand, in an inductive approach, the researcher starts "...from specific observations or interactions to general ideas and theories" (Alston & Bowles, 2003:9-10). Patton (2002:55) argued that qualitative research focuses more on "...exploration, discovery, and inductive logic".

An inductive approach, therefore, is employed in this research study as the research seeks to develop a theoretical framework based upon collected data. This is unlike the deductive approach, where theories and concepts are identified and/or extracted from existing literature, to be tested using collected data (Saunders et al., 2005). In an inductive approach, researchers "...do not start with any predetermined theories or conceptual frameworks" (ibid:61). Also, Cunliffe (2010:664) highlighted that the inductive approach is associated with interpretivism, whereas deductive is more associated with a "theory-testing approach of positivism".

Furthermore, the inductive approach is flexible in considering different explanations of what is taking place at the time of the research; therefore, it pays attention to the situational context of the studied phenomena. For this reason, it is appropriate to involve a small number of participants rather than a large one, as in the case of the deductive approach (Saunders et al., 2005). Table 4.3 below offers a comparison of the major differences between the deductive and inductive approaches.

Table 4.3 Major differences between deductive and inductive approaches

Deduction emphasises	Induction emphasises
<ul style="list-style-type: none"> • scientific principles • moving from theory to data • the need to explain causal relationships between variables • the collection of quantitative data • the application of controls to ensure validity of data • the operationalisation of concepts to ensure clarity of definition • a highly structured approach • researcher independence of what is being researched • the necessity to select samples of sufficient size in order to generalise conclusions 	<ul style="list-style-type: none"> • gaining an understanding of the meanings humans attach to events • a close understanding of the research context • the collection of qualitative data • a more flexible structure to permit changes of research emphasis as the research progresses • a realisation that the researcher is part of the research process • less concern with the need to generalise

(Saunders et al., 2005:127)

The inductive approach focuses on collected (grounded) data rather than a pre-determined theory, in this respect, Locke (2002:95) asserted that grounded data is

geared towards capturing complexity as it provides insights to how actions are taken while considering the situational context of when those actions were taken.....The approach fits well with practice as data collected from individuals that live and are associated with the studied phenomena interpreted and conceptualised resulting in a close fit outcome what takes place in their situation.

Thus, in light of the presented arguments, this research study adopted a qualitative, inductive approach, as it strives to understand situational contexts along with the ways in which people interact in the different situations they face specifically with the changes imposed by the privatisation project in Saudi Arabia.

Further, even though the privatisation project is taking a top-bottom approach as it was driven by the government and imposed on organisations, the complexities and change process that Saudia undergoes would not necessarily take the same top-bottom stand. Thus, utilising a processual approach in investigating the change process and how it has evolved would provide a better understanding and shed light on the context and how the organisation had undergone the change process internally.

4.3.1 Processual Approach to Organisational Change

Dawson (2003:7) highlighted that the processual approach "...is accessible and useful in studying change in organizations". Pettigrew (1997:338) tries to explain and reflect the complexity of the term process as it encompasses "...flow of events, chronology, mechanism, unfolding, two forces interacting, time, language, context, outcomes, linking things together, individuals and collectives, history, consistent story, change and long period". The appropriateness of this approach comes in terms of its ability to account for three main aspects, political, contextual, and substance of change, as reflected in the model proposed by Dawson (2003). A key part of the approach is the context and how the change unfolds (Dawson, 1994). Further, Yazdifar et al. (2013:51) proclaim that the processual approach "views change as a process that unfolds through the interplay of multiple variables (context, political processes and consultation) within an organisation".

The presented characteristics of the processual approach align well with the situational context of this research. It is appropriate for this research, as the privatisation project contains many political aspects, a context of much complexity and prolonged duration, as it commenced more than ten years ago and is still ongoing. As Dawson (2005:4) asserts, "...the approach recognises that there are often critical junctures that necessitate radical change", which is applicable to the privatisation project in this study, as the change is radical and of massive magnitude, which affects core concepts of the privatised firm.

4.4 Research Method

As Collis and Hussey (2003:55) emphasised, it is important to distinguish between methodology and method, so they offered clear definitions of each by suggesting that

methodology refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data... Method, on the other hand, refers only to the various means by which data can be collected and/ or analysed.

Further, selecting a research method is of critical importance, as if the selected method is not appropriate, it could lead to lost opportunity, which could affect the research feasibility, results, and quality (Qu & Dumay, 2011). As the research had adopted a qualitative approach, Tracy (2013:29-30) reported, “qualitative methods is an umbrella concept that covers interviews (group or one-on-one), participant observation (in person or online), and document [archival] analysis (paper or electronic)”.

Alvesson (2003:13) argued that interviews are “...beneficial inasmuch as a rich account of the interviewee's experiences, knowledge, ideas, and impressions may be considered and documented”. In distinguishing between the two types of interviews; group and one-on-one, Saunders et al. (2005:346) stated, group interviews (or focused groups) allow the researcher “to identify accurately principal issues, they are not able to provide the depth and detail in relation to specific issues that can be obtained from individual interviews [or one-on-one interviews]” in which the interest lies “in the meaning of a phenomenon as it is lived by other subjects” (Englander, 2012:14).

Tracy (2013:26) highlighted that “observation is an excellent method for understanding gestalt meanings”. It encompasses several challenges as it requires longer time as the researcher immerses in the setting to be able to report as an accurate and true picture of peoples' world or lives (Delbridge & Kirkpatrick, 1994).

Document or archival analysis is associated with investigating day-to-day activities, however, a key distinguishing of this methods is that those records are “part of the reality being studied rather than having been collected originally as data for research purposes” (Saunders et al., 2005:150). Nonetheless, archival records play a significant part in “understanding significant societal events such as social movements” (Tracy, 2013:7). Notwithstanding, selecting research method is dependent on identifying “the most effective way of meeting your research objectives” (Saunders et al., 2005:43).

In light of the above and as the research aims at exploring privatisation implementation phase, with a particular focus on the context and the views of the employees, thus, interviewing method deemed to be the most appropriate data collection method.

4.4.1 Interviewing Method

Heron (1981:26) stated that

the use of language, itself, then, contains within it the paradigm of cooperative inquiry; and since language is the primary tool whose use enables human construing and intending to occur, it is difficult to see how there can be any more fundamental mode of inquiry for human beings into the human condition. For at its roots, language is used to mediate a shared vision.

Hence, according to Seidman (2006:6) “interviewing, then, is a basic mode of inquiry”, supporting this sentiment. Therefore, it is important to state the strengths and limitations of the interview in order to ensure its utilisation is properly and efficiently implemented. Table 4.4 below highlights the advantages and limitations of the interview as a data collection method, as suggested by (Creswell, 2014:179).

Table 4.4 Interview Data Collection Options, Advantages, and Limitations

Data Collection type	Options within types	Advantages	Limitations
<i>Interviews</i>	<ul style="list-style-type: none"> – Face-to-face-one-on-one, in person interview. – Telephone researcher interview by phone. – Focus group-researcher interviews participants in a group. – E-mail internet interview. 	<ul style="list-style-type: none"> – Useful when participants cannot be directly observed. – Participants can provide historical information. – Allows researcher control over the line of questioning. 	<ul style="list-style-type: none"> – Provides indirect information filtered through the views of the interviewees. – Provides information in a designated place rather than the natural setting. – Researcher’s presence may bias responses. – Not all people are equally articulated and perceptive.

(Creswell, 2014:179)

In addition to the above, according to Easwaramoorthy and Zarinpoush (2006:1), there are three main types of interviews, viz structured, semi-structured, and unstructured.

- Structured interviews are developed around pre-determined questions about a particular topic and participants respond by selecting an answer from list of options.
- Semi-structured interviews host predetermined questions, however, participants answer them freely in their own words.
- Unstructured interviews, no specific questions or guidelines are set and participants answer freely and openly.

In this research study, semi-structured interviews were used as they provided opportunities for participants, along with opportunities for flexibility, thereby, enabling the researcher to ask further questions associated with the research topic, whilst at the same time allowing participants to offer their personal views and responses freely and openly.

However, Easterby-Smith et al. (2008) highlighted that researchers need to consider and pay particular attention to six main concerns when conducting interviews: "...obtaining trust, being aware of social interaction, using appropriate language, getting access, choosing the location for the interviews, and recording interviews" (147).

These were seen as essential for the following reasons:

- a. Obtaining trust is one of the most difficult requirements when conducting research, but is essential because, if this is not established between the interviewee and the researcher, it could lead to the participants providing the researcher with what they think the researcher wishes to hear and not what actually happened or what they truly believe. Giving consideration to the culture and behaviour characteristics of the Saudi Arabian people, trust is one of the most important factors in all dealings, especially when obtaining sensitive information. Thus, as Seidman (2006) advocated, establishing trust leads to participants being willing to open up and talk freely about the topic under discussion.
- b. It is also important to be aware of social interactions which take place between the researcher and the interviewee. This is because it has been argued that the interviewee will judge the researcher. As a result, this can affect his or her level of commitment to the interview. It is also important to know that whilst the interviewee might not have refused to participate in the research, but he or she may "...often select answers between complex truths... simply because it would take too long to give all the nuance" (Easterby-Smith et al., 2008:149). However, in the Saudi Arabian context, this problematic area would have low effect if and once trust is established because people would become more genuine in their feedback and comments. Thus, any results will be influenced by the ability of the researcher to gain the trust of participants.
- c. Using appropriate language is an important issue, particularly when conducting interviews. For instance, it might not be appropriate to use and elaborate heavily on theoretical concepts with the interviewees, as this might present a barrier between

the researcher and the interviewee, who may have less knowledge or be of a lower education level (Seidman, 2006; Easterby-Smith et al., 2008). In addition, it is important to avoid confusing the interviewee with academic jargon, as it is considered inappropriate or even offensive in some cultures, such as in Saudi Arabia. Thus, it is very important to use simple, clear, easily-understood language when talking with the interviewees, without being seen as condescending.

- d. Gaining access is key to the success of any research, as without gaining access to the appropriate participants the research would be just an idea on paper that has no data that could support its objectives and aims. Gaining access requires good communication skills in networking, professionalism and politics. It would require going through the “gatekeeper,” i.e. the person who will grant the researcher access to his or her organisation. Thus, as Holloway (1997) advocated, dealing and communicating with the gatekeeper is key throughout the research journey. Moreover, it is important to remember that even after the data collection is completed, further information or clarification might be deemed necessary for the research (Easterby-Smith et al., 2008). Accordingly, the researcher would need to always think about the potential need for later access and further information, and so be careful never to jeopardize the relationship with the organisation under study and the gatekeeper. Similarly, it is not only polite, good manners but a sensible strategy to write and thank the 'gatekeeper' once the research data has been collected. This is so often a step that some researcher forgets to do, thereby, causing the gatekeeper to feel used rather than an integral part of the research. Equally, so doing will assist future contact, should there be a need to revisit the research cohort.

In regard to this research study, there is more than one gatekeeper, as Saudia is disaggregated into five SBUs in addition to the main holding company, which will control the rest of the units that are still to be established. As the researcher had worked in the organisation for more than fifteen years and developed ties and relationships with many people within the organisation, along with having the knowledge and understanding of the culture within the organisation, such challenges were anticipated to be of minimum effect on the data collection process. Nevertheless, this fact had to be taken into consideration to prevent any element of bias.

- e. Interview location is of significant importance in the interview process. The location selected for conducting the interviews has its implications and effect on the

interviewees. For instance, conducting interviews in the manager's office while asking the interviewee for his or her views on the managers' fairness might not be the best setting or appropriate venue (Cassell & Symon, 2004). In addition, the choice of location will have ethical implications for ensuring a proper secure environment in which the participants feel comfortable and confident, allowing them to open up and express themselves freely and openly. This is essential if the researcher is to be given accurate responses (ibid). Thus, the interview location should be selected with the aim of making interviewees feel as comfortable as possible, and at ease.

In regard to the Saudi Arabian context, interview locations varied between using social locations, such as cafes and private offices. This is because cafes are accepted as venues where middle and lower level employees could meet and be interviewed. Equally, the selection of such locations was appropriate as people tend to feel more relaxed in familiar venues away from their place of employment. Moreover, they talk more freely, without feelings of being watched or overheard by other co-workers. In contrast, interviews with officials and top executives were viewed as much more formal, so tended to take place in their offices. This was primarily due to constraints on their time, as well as the ensured confidentiality, i.e. not being overheard in their restricted executives' offices.

- f. Recording interviews is also a difficult and crucial task, as many people feel anxious and have concerns about the potential harm that could be encountered if recordings are heard by people that they were not intended for (Creswell, 2014). The difficulty with recording arises mainly due to guaranteeing strict confidentiality as required from an ethical perspective. This point is also very important as it has a direct impact on the credibility of the research. However, having interviews recorded has the advantage of allowing the researcher time to focus his/her attention on interacting positively with the interviewee, as well as to observe gestures and other situational contexts that take place during the interviewing process. A further added advantage is that the researcher can listen numerous times to participants' responses ensuring accuracy of recorded data along with permitting an opportunity to revisit specific participants to explore further their responses.

So in brief, interviewing without a recording device can add to the difficulties a researcher may encounter whilst attempting to maintain accurate notes on

everything that is being said, retain good eye contact, and manage the interviewing process in a positive, safe manner whilst trying to capture situational context. All of this can be quite challenging (Easterby-Smith et al., 2008). Nonetheless, within the Saudi Arabian context, permission and agreement to tape interviews are not easily acquired and it is not generally accepted if there is little or no trust between the parties. This fact adds to the importance of having sound good relationships and trust between the researcher and the participants, along with what they will allow to be recorded during their interviews.

4.4.1.1 Developing Interview Questions

As this research topic is built on three main pillars: privatisation, the change process, and the employees, the interview questions were structured to address these three areas in particular. Even though utilising an inductive approach involved not using a pre-determined theory or model, the researcher spent a considerable amount of time reviewing the work that had been carried out in the fields of privatisation and organisational change. Furthermore, the researcher also explored the global experiences related to privatisation, with a specific interest in the UK's experience. This was because it is argued that the UK was the main driver behind the privatisation phenomenon; consequently, there are available documented accounts of various privatisation projects and cases throughout its history.

An interview protocol was developed based upon the review of literature, which was conducted prior to the fieldwork related to this research study. However, despite the fact that the researcher undertook this extensive review of literature, no single study led to the construction of the interview questions in this research study.

For instance, the set of interview questions was divided into two main related but distinct parts: the first was collecting participants' demographic information detailed in Figure 4.1. The main goal of this information was to ensure that interviewees met the selection criteria in order to be able to take part in this study and to know the SBU that he worked in, as detailed in Figure 4.1 below.

<u>Demographic Information</u>	
Name: _____	Org. Name _____
Period working in the organisation _____ Years	Date/Time: _____
Current Position _____	Age: _____ Years
SBU/ Department _____	Edu. Level: _____

Figure 4.1 Collecting Participants' Demographic Information

The second part of the development of the interview questions comprised open-ended, unrestricted questions. These were designed specifically to allow participants to answer each question as they wished, thereby giving them total freedom in their responses. This unrestricted freedom was seen as essential in order to give participants opportunities to convey their true feelings related to their views, thoughts and experiences of privatisation and the change process (Figure 4.2). In addition to the above, participants' responses to the interview questions were to be from both employees' perspective and managers' perspective. The rationale behind this was in order that participants would be able to answer questions for themselves in their role as employees of the company, as well as being enabled to express their views about other employees or managers; how they were affected by or reacted to certain areas of the privatisation and the change process.

The researcher also felt it important that all participants should be given as much background information related to the research study as was appropriate, so he wrote (a) a summary sheet detailing general information about the research study, included the interview questions, which was sent to the participants in an effort to encourage them to participate in the study (Appendix 1). Furthermore, to give reassurance and answer any doubts (b) an interview protocol worksheet (Appendix 2) was developed for the researcher to follow to ensure standardisation. It included certain guidelines that would ensure adherence to the set ethical standards while at the same time addressing specific aspects related to the interviewing process, i.e. clarifying any concerns that the participant might have as well as getting approval for future contact should further clarification or information be needed.

Interview Questions

1. In your view, what does “privatisation” mean? Is it important for your organisation? Why?
2. In which areas do you see changes occurring?
 - a) How do you describe the transition process? Why?
 - b) Has the mission changed? How?
 - c) Has the culture changed? How?
 - d) Has the organisational structure changed? How?
 - e) Have the policies and procedures changed? How?
 - f) What did the organisation do to enforce those changes?
 - g) How do you categorise the change process?
3. How did individuals’ perceive change? What was their reaction? How did the organisation handle it?
4. In your view, which are the most difficult changes to undergo? How are they handled?
5. In your view, what did/ did not the organisation utilise effectively in the change process?
 - a) What are the key areas in which improvements could have been made?
6. In your view, what are the most important needs that concern employees? How are they being addressed?
7. In your view, how motivated individuals are? How was it before and after change occurred?
8. What is the impact of those changes on individuals’ job/ performance?
9. What do you like/ dislike about your work before and after change took place? Why?
10. If you are to seek job, would you apply to join the organisation today? Why?
11. Do you have any more comments or remarks that you would like to add?

Figure 4.2 Interview Questions

4.4.1.2 Pilot Interviews

Pilot interviews provide several opportunities for the researcher in both the sense of mastering interviewing skills and at the same time developing and shaping the interview questions (Seidman, 2006). As Neuman (2014:320) stated, conducting an interview pilot study affords opportunities for the participants to be asked whether the questions were clearly understood and if the researcher may “...need to explore their interpretations to see whether your intended meaning was clear”. In this with researchers are enabled to edit, monitor and refine their research interview questions, as well as their own interviewing skills.

As Berg (2001:97) asserted

without actually conducting interviews, students cannot manage to develop appropriate repertoires... By working with these projected

characterizations in the process of a mock interview, neophytes are afforded an opportunity to acquire various lines and routines necessary for maintaining control over the entire interview performance.

In this research, pilot interviews were conducted in the UK with Saudi Arabian PhD students at the University of Hull, who had worked in STC, which had undergone a privatisation project recently. This was seen as necessary because (a) Saudi Arabian PhD students were well informed regarding the religious and cultural ethics and also (b) had recent experience of privatisation and the change process. This was viewed as essential, as this research study was to be conducted in Saudi Arabia. Hence it made sense to use Saudi Arabian PhD students who had relevant experience.

In total, four pilot interview sessions were conducted prior to the commencement of the empirical work. The first two pilot interviews focused upon shaping, editing, and developing the interview questions. In addition, the research protocol was focused upon, as it addressed issues related to the translation process along with ensuring that the questions were clear and did not lead participants. The second two interviews took place using the revised, edited questions and were conducted in full in order to allow the researcher to gain further experience and insights into interviewing processes and techniques. This also informed his interviewing skills and provided him with experience of the use of and adherence to the developed interview protocol.

Based upon the pilot interviews, the developed protocol and the interview questions were presented and discussed with the researcher's supervisor, who approved them as well as provided comments and advice to remain focused on collecting the information and to start the analysis soon after the first interview took place.

4.5 Research Sampling

In regard to research sampling, Patton (2002) pointed out that there is a clear distinction between qualitative and quantitative studies. The former "...typically focuses in depth on relatively small samples" while the latter would "...typically depend on larger samples" (230). Neuman (2014:247) suggested that "...in qualitative sampling, our goal is to deepen understanding about a larger process, relationship, or social scene".

As there is no agreement in regard to the types and categorisation of sampling techniques, Neuman (2014) categorised sampling into two main categories: (a) probability sampling, which is associated with the quantitative approach and (b) non-

probability sampling, associated with the qualitative approach. He identified four types of probability sampling: cluster, simple random, stratified, and systematic and eight types of non-probability sampling: adaptive, convenience, deviant case, purposive, quota, sequential, snowball, and theoretical as detailed in Table 4.5 below.

Table 4.5 Types of Qualitative and Quantitative Sampling

FOUR TYPES OF PROBABILITY SAMPLES

<i>Type of Sample</i>	<i>Technique</i>
Cluster	Create a sampling frame for large cluster units, draw a random sample of the cluster units, create a sampling frame for cases within each selected cluster unit, then draw a random sample of cases, and so forth.
Simple random	Create a sampling frame for all cases and then select cases using a purely random process (e.g., random-number table or computer program).
Stratified	Create a sampling frame for each of several categories of cases, draw a random sample from each category, and then combine the several samples.
Systematic	Create a sampling frame, calculate the sampling interval $1/k$, choose a random starting place, and then take every $1/k$ case.

EIGHT TYPES OF NONPROBABILITY SAMPLES

<i>Type of Sample</i>	<i>Principle</i>
Adaptive	Get a few cases using knowledge of likely locations of a hidden population, use random techniques or recruit, and then use a snowball sample to expand from a few cases.
Convenience	Get any cases in any manner that is convenient.
Deviant case	Get cases that substantially differ from the dominant pattern (a special type of purposive sample).
Purposive	Get all possible cases that fit particular criteria using various methods.
Quota	Using haphazard methods, get a preset number of cases in each of several predetermined categories that will reflect the diversity of the population.
Sequential	Get cases until there is no additional information or new characteristics (often used with other sampling methods).
Snowball	Get cases using referrals from one or a few cases, then referrals from those cases, and so forth.

(Neuman, 2014:278)

Nevertheless, Patton (2002) offers a different categorisation, which categorised sampling into random probability sampling, which includes two sampling strategies and purposeful sampling, which includes sixteen sampling strategies, as detailed in Table 4.6 below.

Table 4.6 Sampling Strategies

<i>Type</i>	<i>Purpose</i>
Random probability sampling	Representativeness: Sample size a function of population size and desired confidence level.
1. Simple random sample	Permit generalization from sample to the population it represents.
2. Stratified random and cluster samples	Increase confidence in making generalizations to particular subgroups.
Purposeful sampling	Select information-rich cases strategically and purposefully; specific type and number of cases selected depends on study purpose and resources.
1. Extreme or deviant case (outlier) sampling	Learning from unusual manifestations of the phenomenon of interest, for example, outstanding successes/notable failures; top of the class/dropouts; exotic events; crises.
2. Intensity sampling	Information-rich cases that manifest the phenomenon intensely, but not extremely, for example, good students/poor students; above average/below average.
3. Maximum variation sampling—purposefully picking a wide range of cases to get variation on dimensions of interest	Document unique or diverse variations that have emerged in adapting to different conditions. Identify important common patterns that cut across variations (cut through the noise of variation).
4. Homogeneous sampling	Focus; reduce variation; simplify analysis; facilitate group interviewing.
5. Typical case sampling	Illustrate or highlight what is typical, normal, average.
6. Critical case sampling	Permits logical generalization and maximum application of information to other cases because if it's true of this one case, it's likely to be true of all other cases.
7. Snowball or chain sampling	Identify cases of interest from sampling people who know people who know people who know what cases are information rich, that is, good examples for study, good interview participants.
8. Criterion sampling	Picking all cases that meet some criterion, for example, all children abused in a treatment facility. Quality assurance.
9. Theory-based sampling, operational construct sampling, or theoretical sampling	Finding manifestations of a theoretical construct of interest so as to elaborate and examine the construct and its variations.
10. Confirming and disconfirming cases	Elaborating and deepening initial analysis; seeking exceptions; testing variation.
11. Stratified purposeful sampling	Illustrate characteristics of particular subgroups of interest; facilitate comparisons.
12. Opportunistic or emergent sampling	Following new leads during fieldwork; taking advantage of the unexpected; flexibility.
13. Purposeful random sampling (still small sample size)	Add credibility when potential purposeful sample is larger than one can handle. Reduces bias within a purposeful category. (Not for generalizations or representativeness.)
14. Sampling politically important cases	Attract attention to the study (or avoid attracting undesired attention by purposefully eliminating from the sample politically sensitive cases).
15. Convenience sampling	Do what's easy to save time, money, and effort. Poorest rationale; lowest credibility. Yields information-poor cases.
16. Combination or mixed purposeful sampling	Triangulation; flexibility; meet multiple interests and needs.

(Patton, 2002:243-244)

Initially, this research adopted a purposeful sampling strategy in selecting participants for the interviewing process. Then a snowball method was adopted for selecting the next participants, as each interviewed person was asked to recommend whom they felt would

be a good person to contact with a view to interviewing them, as they had experience of privatisation and the change process. This method was deemed as suitable due to the nature and culture of the Saudi Arabian people. This is because, as previously stated personal relationships play a major role in gaining trust, thereby, assisting participants in feeling secure and comfortable and allowing them to express their views and feelings by talking freely and openly.

In terms of the sample size, Patton (2002:244) emphasised that “...there are no rules for sample size in qualitative inquiry. Sample size depends on what you want to know, the purpose of the inquiry”. Goulding (1999) highlighted that the number of participants would depend on reaching the saturation level as required to assure trustworthiness and authenticity of the generated finding. Thus, participant selection and interviews in this research study were conducted based on the collected data and reaching a point of saturation “...which means staying in the field until no further evidence emerges” (7).

However, it is essential to highlight that certain criteria were adopted when selecting participants in this research study. Three main conditions were required before each individual was selected to participate:

- (a) It was essential that the participant had worked in Saudia prior to the start of the privatisation project. This criterion was key to this research, as it allowed participants to provide insights related to the organisational context of working in Saudia prior to privatisation. This enabled comparisons to be drawn regarding the impact and process of change, i.e. before and after. Moreover, it allowed the researcher to explore and investigate the changing process over time,
- (b) The participant had to be still employed in Saudia, to provide up-to-date reflections on the change process and current situations, and
- (c) The participant should hold a position that exposed him to the privatisation project, this criterion was mainly directed towards top management and Executive level participants.

Initial interviews were conducted with eight participants (covering all SBUs), who were at middle and top management levels. In total, thirty-two interviews were carried out using the developed interview protocol (Appendix 2). Saturation point was reached at different levels during the data collection process. For example, in regard to employees' emotional state and morale, no new information was gained after the 28th interview.

However, for other areas such as difficulties and challenges of the change process, the saturation level was reached by the 31st interview. By the last interview (32nd), no new significant information or knowledge was gained; hence, saturation point was achieved.

Moreover, the empirical work took place in Saudia headquarters, in the city of Jeddah, Saudi Arabia. This was due to the fact that privatisation decisions are more associated with higher management personnel and that all SBUs are located in the city of Jeddah, where the majority of the company's employees could be found.

4.6 Data Analysis

Kawulich (2004:1) defined data analysis as "...the process of reducing large amounts of collected data to make sense of them", Patton (2002:432) described qualitative analysis as "...transforming data into findings. No formula exists for the transformation.

Guidance, yes. But no recipe". Through analysis, Dey (2003) suggested, data is broken into bits then reconnected based on re-conceptualisation of the data. Consequently, the analytical process is divided into steps that researchers undertake. For instance, Patton (1987) divided the analysis process into three stages: data organisation, data reduction, and generating and linking themes and patterns.

Moreover, scholars such as Patton (1987); Holloway (1997); Berg (2001); Alston and Bowles (2003); Collis and Hussey (2003); Silverman (2005); Trochim and Donnelly (2007); Easterby-Smith et al. (2008) advised that in qualitative research, data analysis must always start in the field as this is where the raw data is collected. Further, throughout this early start, allows the researcher to collate as much information as possible in the form of written memos and field notes. Similarly, analysing the data while still in the field allows the researcher to explore and investigate key and new areas that are addressed by the interviewees, which the researcher can include in the next interviewing sessions.

There is no agreement among scholars about the process of analysing qualitative data. However, Merriam (1998) asserted that data analysis is a complex process as it requires moving back and forth between the data and transcripts, notes, interpretations, and developed themes or concepts. Bernard (2000:437) suggested six different approaches to analysing qualitative data; 1) hermeneutics or interpretive analysis, 2) narrative and

performance analysis, 3) discourse analysis, 4) grounded theory analysis, 5) content analysis, and 6) cross-cultural analysis.

Furthermore, Merriam (1998) suggested ethnographic analysis, narrative analysis, phenomenological analysis, and constant comparative method as approaches in analysing qualitative data, while Boyatzis (1998:4) saw “thematic analysis as a process to be used with qualitative information”. [In other words], it is not another qualitative method, but a process that can be used with most, if not all, qualitative methods”. In this respect, Patton (2002:56) stated that “categories or dimensions of analysis emerged from open-ended observations as the inquirer began to understand patterns that exist in the phenomenon being investigated”. This research study adopted Holloway (1997) process in analysing qualitative data. The process involves nine steps, which are represented in Table 4.7 below.

Table 4.7 Holloway (1997) Data Analysis Steps

- 1) Ordering and organising collected materials
- 2) Re-reading the data
- 3) Breaking the material into manageable sections
- 4) Identifying and highlighting meaningful phrases
- 5) Building, comparing, and contrasting categories
- 6) Looking for consistent patterns of meanings
- 7) Searching for relationships and grouping categories together
- 8) Recognising and describing patterns, themes, and typologies
- 9) Interpreting and searching for meaning

(Holloway, 1997:44)

This research also employed a thematic analysis process in analysing the data. Themes were generated through a continuous comparative process that sought to identify similarities and contradictions within the data. DeSantis and Ugarriza (2000:362) defined a theme as “...an abstract entity that brings meaning and identity to a recurrent experience and its variant manifestations. As such, a theme captures and unifies the nature or basis of the experience into a meaningful whole”. Moreover, Boyatzis (1998:4) defined a theme as “...a pattern found in the information that at minimum

describes and organizes the possible observations and at maximum interprets aspects of the phenomenon”. Nevertheless, a review of the literature demonstrates that scholars have a different process of coding. For instance, Strauss and Corbin (1994) employed three levels of coding: open coding, axial coding, and theoretical coding when analysing data.

While Boyatzis (1998:31) proposed five elements for a ‘good thematic code’:

- 1) A label (i.e., a name)
- 2) A definition of what the theme concerns (i.e., the characteristics or issue constituting the theme)
- 3) A description of how to know when the theme occurs (i.e., indicators on how to ‘flag’ the theme)
- 4) A description of any qualifications or exclusions to the identification of the theme
- 5) Examples, both positive and negative, to eliminate possible confusion when looking for the theme.

Further, Neuman (2014:177) explained that in the coding process

Instead of variables, we examine motifs, themes, distinctions, and perspectives. Most often, our approach is inductive and relies on a form of *grounded theory*. We build from specific observations to broader concepts that organize observational data and then continue to build principles or themes that connect the concepts.

In this research study, the coding process was carried through utilising the software program *NVivo*, which is designed and structured for the analysis of qualitative research.

4.6.1 Using Software (*NVivo*)

Gibbs (2007:5) declared that “...in fact, a lot of the time, coding is best done with an electronic text file using dedicated analysis software”. Nevertheless, it is important to state that, no matter how sophisticated or complex the computer software/ programs are, it is human beings' interface that is required in order to make sense of the data and draw conclusions (Kawulich, 2004). Reiterating Patton (1987:442) “...computers and software are tools that assist analysis. Software doesn’t really analyze qualitative data. Qualitative software programs facilitate data storage, coding, retrieval, comparing, and linking - human beings do the analysis”.

Notwithstanding the required human input, such computerised facilities have lain many significant advantages that encourage their usage, which is certainly useful in data organisation (Kawulich, 2004). Also, Dey (2003:59) stated, "...computers have provided efficient methods which eliminate much of the tedium and time-consuming chores involved in managing data". Patton (1987:442) asserted, 20 years or so ago and his comments are still relevant today, "...software speeds up the processes of locating coded themes, grouping data together in categories, and comparing passages in transcripts or incidents from field notes". Because computer software allows much better tracking and linking between data, and thereby raises the quality of the analysis process, this is "...perhaps one reason why the introduction of computers has been associated with renewed calls for rigour in qualitative analysis" (Dey, 2003:59).

The above supports the importance of coding within data analysis, especially when analysing qualitative data, as it is divided into bits and coded. Lewins and Silver (2007:81) defined coding as "...the process by which segments of data are identified as relating to, or being an example of, a more general idea, instance, theme or category". Consequently, in line with the discussion above the researcher should

decide what things go together to form a pattern, what constitutes a theme, what to name it, and what meanings to extract from case studies..... Coding therefore manages and orders qualitative data. It enables easier searching of data for similarities, differences, patterns and relationships. As such coding is often an integral part of the analytic process (Patton, 1987:81-82).

Whilst in agreement as to the effectiveness of utilising computer software and coding, different scholars have independently developed different recommended processes for coding. For instance, as stated, Strauss and Corbin (1994) defined three levels of coding: open coding, axial coding, and theoretical or selective coding, whilst Miles *et al.* (2014) used descriptive, interpretive and pattern coding and Richards (2015) differed, citing descriptive, topic and analytical coding. Abrahamson (1990; cited in Lewins & Silver, 2007:84) postulated that the selected coding process would depend upon the adopted research approach. For example, a deductive approach would encompass the utilisation of a predetermined theory or model, which in turn would influence the coding process towards the concepts of the chosen theory or models. On the other hand, "an inductive approach begins with the researchers 'immersing' themselves in documents (that is, the various messages) in order to identify the dimensions or *themes* that are meaningful to the producers of each message".

Similarly, Lewins and Silver (2007:95) described the procedures of coding as follows

researchers using Grounded Theory, or pragmatic derivatives of grounded theory, may generate most of the coding frame ‘bottom-up’ as ‘things’ are identified in the data, later using inductive reasoning to combine codes to create higher concepts, themes or categories..... Some researchers, who work with theoretical frameworks or who are testing models of theory, will stick quite firmly to the elements of the framework in coding the data deductively.

As an inductive approach was employed in this research, a grounded coding process was suitable in which codes and themes were identified from the research data. The coding process and themes generated from the data collection will be detailed in the findings and results in Chapter 5 of this thesis.

The utilised coding process adopted the elements that were suggested by Lewins and Silver (2007:82), which are grounded based on collected data

- retrieving data segments based on how they have been coded
- grouping similar codes together and viewing the data coded at them together (within or outside the software)
- defining codes, printing lists of codes, renaming codes
- increasing and decreasing the amount of data coded, un-coding
- recoding data
- commenting upon and writing about what is seen.

Further, the coding process involves the process of linking the data by identifying relationships between different aspects of the data (Dey, 2003) along with grouping those codes in a way that fosters a better understanding of the research phenomenon because as Lewins and Silver (2007:96) stated “...your [the researcher’s] analysis may be working towards a theory or an explanation”.

Many computer programs that have been developed for qualitative research analysis are available (Figure 4.3). However, for this research study, *NVivo* (software) is preferred, so will be used due to its functionality and easiness to learn. As Walsh (2003:253) highlighted:

NVivo is a useful teaching tool because it works like my old loose-leaf binder. Many different kinds of documents can be kept in one place, and they are linked together for easy access. Also, one can

quickly trace the progression of an idea from its earliest stages using NVivo.

ATLAS.ti5
HyperRESEARCH
MAXqda
QDA Miner
QSR NVivo
Qualrus
Transana

Figure 4.3 Some Computer Assisted Qualitative Data Analysis (CAQDAS) Software

Adapted from Lewins and Silver (2007); Gibbs (2014)

4.7 Role of the Researcher

Researchers play an integral part within each study: starting from the development of the interest in conducting the study until the final reporting and presentation of the finding and results of the research. Therefore, it is of critical importance that researchers understand the research process and associated tasks that will be encountered during the research journey. Moreover, in qualitative research, the researcher needs to acknowledge the advantages of working in the field and effective communication with the participants under study. This will provide a clearer understanding of the realities experienced and the context that have shaped the participants' actions (Patton, 2002).

It is understandable that any organisation would wish to retain certain information and aspects about its operation and management confidential, as such information could be revealed to their competitors or the public. Because of this understandable desire for the confidentiality of the company's workings, gaining officials' and participants' trust was an essential first step of this research. As the researcher had experience within the organisation from early January 1992 until July 2007, have worked in different departments, he had developed a strong relationship and understanding of the organisational culture, enabling him to reach and communicate with participants in a friendly, comfortable manner. A complete interview protocol was designed and developed in both Arabic and English languages. It was distributed to all participants in advance, so that all concerns and questions could be clarified and answered prior to

conducting the interviews. Moreover, the ethical approval was shown to all participants, along with a clear explanations of the procedures put in place to ensure the safeguarding of their identities and the confidentiality of the collected data and interview contents.

This research study was divided into three main phases: the initial phase centred on the conceptual and theoretical work to develop the research design, the second phase was concerned with the empirical work, and phase three focused upon presenting the data and the closure of the research journey. Each phase had different tasks and roles that the researcher had to undertake. These are detailed below.

4.7.1 Phase one: Conceptual and theoretical work

During this phase, the primary role of the researcher was focused upon undertaking an extensive review of literature and studies relevant to the research topic, methodology, and context. The researcher explored the literature along with the different theories in the areas of privatisation, organisational change, HRM, and processual approaches, as these areas are the cornerstones upon which this study was developed. Despite the researcher having adopted an inductive approach, he had to keep in mind the need to be aware of the literature in the fields associated with the stated areas. As suggested by Strauss and Corbin (1994), who are considered to be the originators of the grounded theory approach, the researcher should make himself/herself aware of all relevant literature and theories that surround the research topic prior to the start of the data collection. Supporting this stance, Yin (2009:37) reminded researchers that they “...should be aware of the full range of theories that might be relevant to [their] study”. It was essential, therefore, for the researcher not to limit or constrain the focus to only his identified research areas.

4.7.2 Phase two: Empirical work

This phase is of significant importance to the research, as it involves the process and interaction of many constraints that are beyond the researcher’s control, for instance, access to the organisation, interviewing participants, time limitation to collecting the data, and key ethical considerations. The researcher had to develop the interview questions in a way that was acceptable to the interviewees, considering their culture, religion and traditions, in order to avoid being offensive or asking sensitive, inappropriate questions. Actually, gaining access was one of the most critical steps in

this research, because as already stated, having contacts and relationships is a fundamental aspect of being able to conduct any research in Saudi Arabia. Hence, the timing was also very important in order to conduct the data collection process, whilst the people the researcher had known were still working for the company, Saudia.

4.7.3 Phase three: Reporting and presenting the findings and results

In this phase, the most critical role of the researcher was to permit the ‘voices’ of all participants to be heard. In other words, many of the identified themes and results were identified, highlighted and emphasised by the participants. Some of the generated themes came from only a few participants, who were of lower organisational status within the organisation, so it was important that their views and opinions were represented. Furthermore, the researcher fully appreciated when presenting the research study's results that this must be done in the clearest and simplest manner.

4.8 Reliability and Validity

A reliable and valid research is the objective that all researchers strive to achieve. However, reliability and validity are terms that have been and are associated with quantitative research (Table 4.8). Nonetheless, the principles associated with them are sought in qualitative research, albeit “...differently” (Neuman, 2014:218).

Table 4.8 Perspectives on Validity and Reliability

Viewpoint	Positivist	Constructionist
<i>Validity</i>	Do the measures correspond closely to reality?	Does the study clearly gain access to the experiences of those in the research setting?
<i>Reliability</i>	Will the measures yield the same results on other occasions?	Is there transparency about how sense was made from the raw data?

Adopted from (Easterby-Smith et al., 2008:109)

Scholars such as Lincoln and Guba (1986:76-77) have worked towards developing evaluation criteria that would map the quantitative into qualitative criteria. To this end, they proposed

credibility as an analogue to internal validity, transferability as an analogue to external validity, dependability as an analogue to reliability, and conformability as an analogue to objectivity. We shall

refer to these criteria as criteria of trustworthiness (itself a parallel to the term rigor).

For achieving credibility, they suggest several techniques: "...prolonged engagement, persistent observation, triangulation, peer debriefing, negative case analysis, and member check" (18-19). Transferability can be ensured by having "...substantial descriptive data" to allow other researchers to identify similarities and findings elsewhere. Further, for dependability and conformability, they suggested the utilisation of an external "...competent" auditor who can independently inspect the process results, as outlined in Table 4.9 below.

Table 4.9 Strategies to Determine Rigour in Qualitative Research

Approaches to rigour	Strategies
Credibility	Prolonged engagement and persistent observation. Triangulation. Peer debriefing. Member checking.
Dependability	Audit trail. Reflexivity.
Confirmability	Audit trail. Reflexivity
Transferability	Thick descriptions.

(Houghton et al., 2013:13)

Other researchers, such as Creswell (2014:202) concurred with the suggested criteria developed by Lincoln and Guba (1986) as he highlighted that spending prolonged time in the field will allow the researcher to develop

an in-depth understanding of the phenomenon under study and can convey detail about the site and people that lends credibility to the narrative account. The more experienced the researcher with the participants in their setting, the more accurate or valid will be the findings.

In addition to providing rich substantial descriptions to report the findings and triangulation through the usage of different data sources, improving validity in qualitative research, scholars have suggested the usage of multiple sources of data and

establishing a “...chain of evidence” that links generated codes and themes to the collated results (Yin, 2009).

In this research, to establish credibility, triangulation techniques have been utilised as three different sources of data were used. The main source of data was the interviews. In addition to these, official documents issued by Saudia were used, along with press releases and interviews with government and Saudia officials.

4.8.1 Bias

Bias is an issue that haunts qualitative researchers. This is because as Whittemore et al. (2001:524) pointed out “...Qualitative research is contextual and subjective”.

Subjectivity is a core characteristic of qualitative research, i.e. a researcher brings his/her views, cognitive understanding and interpretation throughout the different research journey as noted by Holloway (1997); Crotty (1998); Patton (2002); Creswell (2014); Neuman (2014). Yin (2009:41) highlighted that “...subjective judgements are used to collect the data”, while Morgan and Smircich (1980:493) argued that bias is a major issue because “...whether or not human beings can ever achieve any form of knowledge that is independent of their own subjective construction, since they are the agents through which knowledge is perceived or experienced”.

Furthermore, Creswell (2014:202) highlighted the need to

clarify the bias the researcher brings to the study... Good qualitative research contains comments by the researchers about how their interpretation of the findings is shaped by their background, such as their gender, culture, history, and socio-economic origin.

Consequently, the question of bias has been an issue that has been taken very seriously by the researcher. This is because the issue of bias can become a significance challenge due to the fact that the researcher worked in Saudia for more than fifteen years (1992-2007). Hence, recalling particular incidents and personal situations was inevitable. It was, therefore, essential to ensure the integrity and accuracy of the data gathered primarily through the researcher’s interviews, as well as data interpretation and conclusions, as they could be open to subjective personal bias. To be ethical and produce a valid, rigorous study, the researcher acknowledged the possibility of this bias, so consequently, he monitored its influence throughout the research process. In addition, the research process and data were subjected to rigorous and multiple steps to minimise

and limit such bias. This was achieved through collecting substantial data, and usage of multiple data sources confirming this research study's findings and results, thereby, ensuring that the interpretation process was clearly understood as expressions and views presented by participants, of different levels of clarity.

Furthermore, as expressed and discussed earlier, the researcher chose to use *NVivo* software in the data analysis, as this facilitated the uniformity of analytical techniques throughout the analysis process of all the interviews. This also ensured the fulfilment of establishing the “...chain of evidence” as advocated by Yin (2009) in order that each theme could be traced back to its source, i.e. the person, time, and location in which it was made. Equally, with there being a recorded version of most of the interviews, keeping them in their original language (Arabic), throughout the analysis process added to the validity of the results and limited the loss of meaning through the translation process. The researcher firmly believes that employing such measures led to generating outcomes characterised by a high level of credibility and transferability.

4.8.2 Translation

Data was collected in Saudi Arabia. Even though most of the participants spoke English, as it is the common language used in the aviation industry, interviewees were given the freedom to talk freely in any language they felt most comfortable with. Hence, interview questions and consent forms were translated into Arabic, which were double-checked for accuracy by Saudi Arabian University lecturers. As data were collected, it was noticed that all participants preferred to use the Arabic language in their interviews. However, specific expressions and phrases were stated in English, resulting in participants “code-switching” between Arabic and English throughout their interviews.

According to Maneesriwongul and Dixon (2004:175) “...quality of translation and validation of the translated instrument plays a significant role in ensuring that the results obtained in cross-cultural research are not due to errors in translation”. As Simon (1996) highlighted, the translation process not only encompasses the translation from one language to another but also requires an understanding of the relevant cultural aspects and terms.

The solutions to many of the translator’s dilemmas are not to be found in dictionaries, but rather in an understanding of the way language is tied to local realities, to literary forms and to changing identities.

Translators must constantly make decisions about the cultural meanings which language carries, and evaluate the degree to which the two different worlds they inhabit are ‘the same’ (130).

Scholars have identified several translation techniques. Birbili (2000) recommended back-translation, consultation and collaboration with other people, whilst Brislin *et al.* (1973) suggested four techniques; (1) back-translation; (2) bilingual techniques; (3) the committee approach; and (4) pre-test.

Birbili (2000:n.p) asserted that back-translation technique is “...one of the most common techniques used in cross-cultural research”. Consequently, in this research, the back-translation technique was utilised: First priority was to collect the data; translate the interview questions, research summary sheet, and consent form into Arabic. The second priority was in translating participants’ quotations and statements that will be used throughout the thesis.

In this study, the back-translation process involved three main steps:

- 1) The researcher had designed and developed the interview questions, so the focus was to ensure that translating of the meaning of the questions was not compromised, i.e., from a source language to target language (Marshall & Rossman, 2011).
- 2) Fellow Saudi PhD researchers were provided with the translated (Arabic) questions and were requested to translate them into English as a double check for accuracy and meaning.
- 3) The original English questions were checked against the back-translated ones and minimal adjustments were made.

The same three steps were taken in translating quotations from participants’ responses that are used throughout the thesis. However, back-translation was conducted after safeguarding procedures were applied to anonymise participants’ identities.

4.9 Research Ethics

Silverman (2005:257) argued that “...researchers studying human subjects ponder over the dilemma of wanting to give full information to subjects but not ‘contaminating’ their research by informing subjects too specifically about the research question to be studied”. Unlike the fields of Medicine and Psychology “...far less attention has been

devoted to the role of ethics in the conduct of management research” (Bell & Bryman, 2007:63). Based on an analysis of nine professional associations, Easterby-Smith et al. (2008) suggested ten ethical principles for the management of research. The first seven principles are geared towards safeguarding participants’ interests, whilst the last three are associated with the quality of the research in terms of data accuracy, bias, and results (Table 4.10).

Table 4.10 Key principles in research ethics

1-	Ensuring that no harm comes to the participants
2-	Respecting the dignity of research participants
3-	Ensuring the fully informed consent of research participants
4-	Protecting the privacy of research participants
5-	Ensuring confidentiality of research data
6-	Protecting the anonymity of individuals or organisation
7-	Avoiding deception about the nature or aims of the research
8-	Declaration of affiliations, funding sources, and conflict of interests
9-	Honesty and transparency in communicating about the research
10-	Avoidance of any misleading or false reporting of research findings

(Easterby-Smith et al., 2008:134)

Collis and Hussey (2003:38) emphasised three main aspects that are associated with research ethics: confidentiality and anonymity, informed consent, and dignity.

Confidentiality and anonymity are essential to safeguard participants, and knowing they are safeguarded will allow them to openly express their views and opinions more honestly. Informed consent is a key ethical component that states participants’ rights and outlines the level of involvement participants have in the research study. Equally, it highlights the way in which collected data will be used and for what purpose and who will have access to it.

Dignity is also another important aspect of research, as in certain studies participants may feel that they are obligated to answer certain questions or give certain information that is of a sensitive nature to them and which they would prefer not to convey. They feel that they are being forced to divulge such details by their organisation. Therefore, the researcher is obligated to prevent such situations from occurring in order to safeguard participants.

In order to adhere to ethical principles, the researcher obtained and closely adhered to the University of Hull Research Ethics Policy, along with an approval letter, which was presented to each participant prior to the interviewing process. This was in line with Kent (1996:1517), who asserted that

it is commonly argued that five conditions need to be met for consent to be "informed", "real" or "valid": (1) the transmission of the information which is material to a decision, (2) an understanding of this information, (3) an absence of control over the decision, (4) competence in the relevant area, and (5) actual consent, which should be written for research studies or when invasive treatment procedures are involved.

It has been suggested that ethics in research have a specific language and terminology which focuses on voluntary participation, informed consent, confidentiality, and anonymity (Trochim & Donnelly, 2007). To ensure this, an interview protocol (Appendix 2) and a formal consent form (Appendix 3) were designed and constructed in both languages (Arabic and English), thereby, fulfilling Kent's five suggested conditions.

4.10 Empirical Work

The empirical work was divided into two main parts; the first was associated with the field work of collecting the data and the second was associated with the data analysis process. The primary data were obtained through semi-structured interviews conducted with Saudia employees, within the different organisational levels, during the period of May – August 2015.

4.10.1 Data Collection

The first step in collecting the data was to randomly select individuals who fulfilled the set criteria that were prescribed earlier in the research sampling (see 4.5). Briefly, purposive sampling was initially utilised, followed by snowballing sampling strategy, in which participants, who had agreed to take part in the study, were requested to suggest other participants who potentially met the criteria and who would be willing to take part in the study, holding views relevant to the research topic. Through this sampling strategy, 32 individuals from different SBUs, at different organisational levels, were identified and invited to participate in this research. Data were collected from the participants using interviews (in-depth semi-structured), which consisted of 11

questions (Appendix 1). Each participant was assigned a numeric code (1 – 32) in order to maintain his/her anonymity and assured of total confidentiality. Moreover, prior to the interview sessions, each participant was provided with two documents: (a) research introduction and summary sheet (Appendix 1) and (b) informed consent form (Appendix 3). Participants were provided with enough time to review these documents and understand their rights and any particulars about the research. In addition, the researcher's full contact details were provided to the participants in order that they could clarify and answer any concerns that they might have at a later date. Twenty-eight participants agreed for their interviews to be recorded and four declined.

In dealing with those four interviews, the researcher exerted much effort in taking notes, which was challenging, as the researcher used two main strategies to capture as much information as possible. The first was to take notes and focus on abbreviating terms and capturing key words as much possible (Saunders et al., 2005). Second, the researcher tried to use probing questions to circle back and request more details or examples, which allowed for more time to record as much detail as possible. Further, the researcher wrote memos immediately after each interview, in an effort to recall what had been said (Easterby-Smith et al., 2008).

4.10.2 Data Analysis Process

Cassell and Symon (2004:106) explain that thematic analysis "... [looks] for common themes in the data either across instances with one individual or across individuals". Accordingly, Boyatzis (1998:31), "...a good thematic code is one that captures the qualitative richness of the phenomenon. It is usable in the analysis, the interpretation, and the presentation of research".

The data analysis process included five main steps: 1) data preparation, 2) getting immersed in the data, 3) making sense of the data, 4) presenting the data, and 5) analysing the data, as this research study sought to utilise a thematic analysis approach in analysing the data as depicted previously (4.6).

Throughout the data collection process, the researcher maintained focus on the research aims and objectives in order to ensure relevant collected data and when implementing the coding process. During the process of coding the collected data, the researcher

conformed to the recommendations of Lewins & Silver (2007:83) when they highlighted that

the overriding aim of coding is to facilitate developing a detailed understanding of the phenomena which the data are seen as representing. This may involve gaining an insight into the underlying meaning respondents attribute to a social situation or particular experience, identifying patterns in attitudes, or investigating processes of social interaction.

4.10.2.1 *Data Preparation*

As a first stage in the analysis phase, the collected data was prepared in three stages: (a) transcribing all recorded interviews, which was done by the researcher, this led to capturing and linking field memos with participants' correspondences; (b) transferring the handwritten transcripts into a digital format (MS word) facilitated the management of the data and importing them to analysis software (*NVivo*); and (c) data reduction by omitting irrelevant data such as opening statements that were used to get acquainted with the participants to "break the ice" or personal data, such as dialogue about family members.

At the end of the preparation stage, the final transcripts were read while listening to the recorded interviews to ensure that omitted data had no impact upon the meaning or context from which they were extracted, to ensure that the final transcripts were a true written record, trustworthy and robust to be relied upon for the next stage of data analysis.

4.10.2.2 *Getting Immersed in the Data*

This stage involved re-reading the transcripts and field memos several times, re-listening to the interview recordings. All transcripts were kept in their original language (Arabic) in an effort to avoid losing any meaning through translation into English. This ensured the highest level of data accuracy and authenticity. The translation process was implemented after completion of the analysis stage, which resulted in a more coherent, traceable, and trustworthy data set. It also substantially reduced the time needed for the data preparation phase, as translating entire transcripts (more than 80,000 words) would have required an inordinate amount of time and effort.

Initially, the researcher listened to each recorded interview after its completion during the data collection period and checked the accuracy of his written notes and memos related to the interactions and non-verbal gestures each interviewee had made during the interview. Further, the researcher sought to check and revise the interview questions based upon the responses provided by seeking possible future participants, who might confirm or challenge the claimed views.

Moreover, the researcher continuously reviewed the data as he transferred it from audio format into handwritten transcripts and from handwritten transcripts into digital transcripts. His objective was to become immersed in the data as much as possible, to enable him to capture and understand the feelings and context in which perceptions and views were stated.

4.10.2.3 *Making Sense of the Data*

This vital, pivotal and critical stage involved lengthy procedures, which embodied seven of the nine steps highlighted by Holloway (1997) (Table 4.7). Initially, the researcher looked at the interviews as a whole, before breaking them into relevant categories related to the research aim, situational context, and different views and perspectives expressed. This was in an effort to interpret the data in an accurate, meaningful way that would convey the depth of feelings and views of the participants (Creswell, 2013).

However, as Holloway, (1997:44) advocates as the process proceeds “...the focus becomes progressively clearer”. For this reason, the researcher adapted a bottom-up approach in analysing the data in line with Lewins & Silver (2007:85) who proclaim that “...working inductively is characterized by careful and detailed inspection of the data on a number of levels. This ‘bottom-up’ approach starts at the detailed level and moves through recoding, regrouping, rethinking, towards a higher level of abstraction”.

4.10.2.4 *Analysing the Data*

Data were analysed following the principles of the grounded theory approach. An inductive analysis of the data was conducted in an effort to develop a descriptive view of the organisational context and how change evolved over time as the privatisation project progressed. As noted earlier, *NVivo* software was used in the analysis process. Thus, the analysis process started by importing all transcripts into the *NVivo* application. The analysis process comprised three coding levels (Figure 4.4): level one is open

coding (sub-themes generated) where the researcher perused the transcripts and identified each idea, view, perception and/or concept. After this he then allocating them labels/codes; level two was generating themes, in which initial codes had clustered under a common concept or idea; and level three was categorisation, where themes were collapsed under one of the three research pillars, i.e., privatisation, change process, and employees of Saudia.

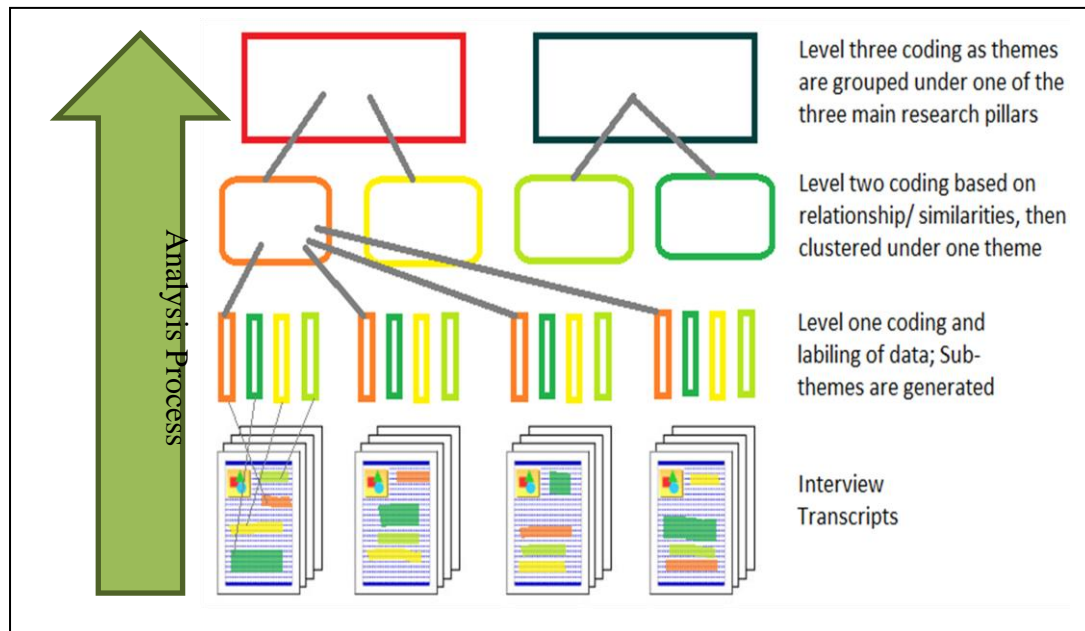


Figure 4.4 Analysis Process; Levels of Coding the Data

Throughout the coding process, the researcher continuously scrutinised the data for similarities and commonalities within participants’ views, whilst maintaining a neutral stance towards any different or conflicting ideas which participants expressed. The analysis process aimed at encapsulating all views and ideas that were similar or conflicting, thereby ensuring that they would be given equal attention when investigated and presented.

The first level in the analysis process entailed reading the transcripts and construct initial labelling or coding based on participants’ views, such a process is identified as “open coding” (Corbin & Strauss, 1990). The second level was to cluster those initial codes into themes that centre around and share the same concept. The construction and development of such themes required several rounds of review and cautious practice by the researcher, to ensure that they accurately reflected what the participants had said. Once these themes were created, a holistic perspective was adopted into looking at the

themes and the underlying concepts they represented and/or were associated with. Thus, they were classified under the category that centres upon the same foci, yet from different perspectives.

Figure 4.5 below demonstrates a sample of the data analysis process, reflecting the three levels of the coding process and the ways in which participants' input was open-coded generating sub-themes, then going to level two as open codes were clustered under one theme, followed by level three, as in which the themes were collapsed under one category.

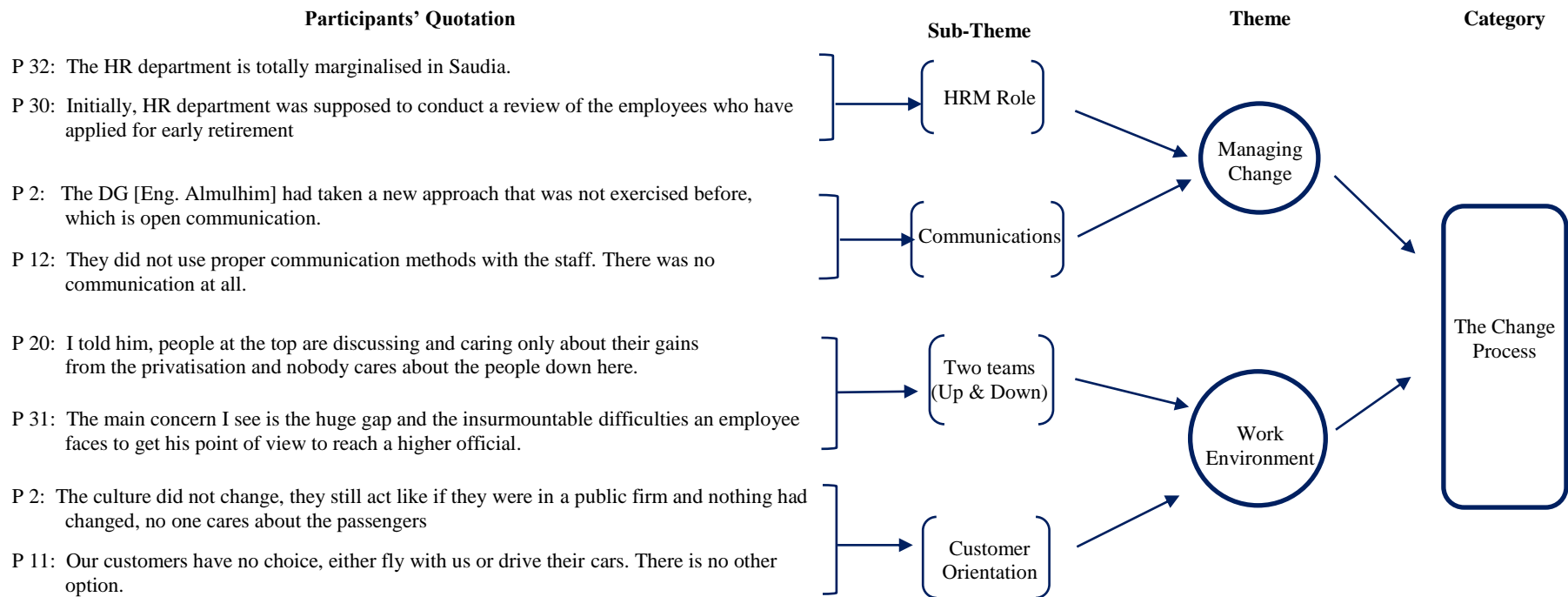


Figure 4.5 Sample of the Coding and Theme generation process

4.10.2.5 Presenting the Data

This stage focuses upon encapsulating the research outcomes and supporting them with the relevant literature in an effort to fulfil the research aim of looking into the privatisation implementation phase and exploring how the change process evolved and developed. Throughout the presentation phase, quotations from participants and illustrations from different official documents and other sources were used in an effort to ensure data “authenticity and vibrancy”, whilst at the same time allowing readers to visualise the context and the world that are being presented (Collis & Hussey, 2003:300).

4.11 Summary

In this chapter, a brief outline of various scholars’ approaches and a discussion related to research methodology has been given. These include Saunders et al. (2005) postulating that questions about research methodology are of secondary importance to questions of which paradigm is applicable to any research. This was followed by pertinent details related to the research paradigm, and research approach, along with outlining aspects of interviewing methods, developing interview questions, and conducting pilot interviews. Details of appropriate research sampling, and data analysis, along with reasons for using the software program *NVivo*, were given. Then the importance of the role of the researcher was addressed in three phases viz phase one: conceptual and theoretical work; phase two: empirical work; phase three: reporting and presenting the findings and results. The importance and need for research reliability and validity, bias, translation and research ethics were then detailed, followed by an account of the empirical work which covered data collection aspects and data analysis process, concluding with this summary of the chapter, which leads onto the next chapter, where the findings and results of this research study will be detailed.

CHAPTER FIVE: RESEARCH FINDINGS AND RESULTS

PART I

5.1 Introduction

This chapter presents the research findings, which are sub-divided into the three main pillars: the privatisation of Saudia, the change process and Saudia employees.

The findings will be divided into two interrelated parts: part I, this chapter (5) presents participants' profiles and the research findings pertaining to the first research pillar; the privatisation of Saudia, while part II, in the next chapter (6), presents the findings pertaining to the second and third pillars of the research; the change process and Saudia employees. Examples of the findings and their relevance will be cited to illustrate the various views and perceptions on each theme and sub-theme, offered during the interviews. The chapter concludes with a summary of the research findings.

5.2 Participants' Profiles

Adhering to the highest ethical standards, every effort was made to safeguard, protect and maintain the anonymity of participants' identities. Moreover, all collected data during this research were kept in a secured file cabinet with no records of any kind viewed or made available to anyone except the researcher. All research data and records will be maintained for the set period of time in accordance with the Research Ethical Standard (3 years) after which they will be permanently disposed of and destroyed. Participants working in different SBUs were interviewed after the names of the units were randomly anonymised to ensure further the protection of participants' identity. This process resulted in Units 1 – 6 being used to identify different SBUs, and an alphanumeric abbreviation was assigned to each participant. The letter "P" followed by numbers from 1 – 32, were allocated to represent the 32 participants.

This research study initially targeted employees who worked in Saudia for at least 12 years, thereby acquiring substantial experience on which to provide comments on the organisation when (a) it was operating under the public sector, and (b) going through the change process from its start in 2006. The majority of the participants had worked in Saudia for more than 25 years (19) and thirteen participants had 15 to 25 years of work experience. Table 5.1 details participants' years of employment in Saudia.

Table 5.1 Participants' Years of Work in Saudia

Total No. of Participants	Years of work in Saudia	
	15 – 25	More than 25
32	13	19

As it was crucial to obtain the views of various participants from all the different SBUs since the start of the privatisation project in 2006, five SBUs were established whilst the rest of the organisation remained under the public sector. Therefore, the researcher used Unit 1 to Unit 6, reflecting the five SBUs with one Unit representing the part of the organisation that is still under the public sector. Table 5.2 below shows participants' distribution within Units 1 – 6.

Table 5.2 Participants' distribution by Unit

Participants' Location	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6
No. of Participants	4	5	5	5	5	8

Moreover, participants were selected to cover all organisation levels from the lowest paid employees to executive level within the different units, to ensure that a cross-section of all views was heard and explored. Organisational levels were divided into four main categories based on the examination of Saudia's organisational structure and levels of duties and responsibilities (Table 5.3).

Table 5.3 Participants' distribution by Organisational Level

Organisation's Level	Employee	Middle Management	Top Management	Executive
No. of Participants	7	9	9	7

The four levels are:

1. Employee level, which includes individuals that work without any subordinates.
2. Middle Management level, which includes individuals in first level managerial positions, such as supervisor, section manager, and manager. These are the people who were managing a few departments; however, their duties are more focused on the daily operational tasks rather than the strategic management of the organisation.
3. Top Management level, which includes individuals who manage several departments (General Managers and Directors) and whose duties and views have an influential impact upon the organisation’s direction.
4. Executive level, which includes Vice Presidents (VPs), Managing Directors (MDs), Chief, and Executive Vice Presidents (EVPs). Individuals at this level are considered to be the ultimate decision makers, as they influence and steer the operations of the organisation and its future.

Table 5.4 below provides complete details and a breakdown of all individuals who participated in this research, including their organisational level and unit.

Table 5.4 Participants’ distribution by Organisational level and Unit

		Strategic Business Units					
		Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6
Organisational Level	Employee	1	1	1	1	1	2
	Middle Management	1	1	1	2	2	2
	Top Management	1	2	2	1	1	2
	Executive	1	1	1	1	1	2
Participant No. by Unit		4	5	5	5	5	8

5.3 Generating Research Findings

Kawulich (2004:8) highlights that “...in reporting data findings, one does not analyse the data on a question by question basis. Instead, one summarizes key themes, using

selected quotes to illustrate findings”. Based upon this quotation and as the purpose of this research is to understand and explore the ways in which Saudia undertook the change imposed by the privatisation project, Figure 5.1 outlines the categories, themes, and sub-themes generated from this research. Equally, as this research study's aims were to explore the evolution of the changes reflecting the significant utilisation of the processing approach, as stated three main pillars were constructed: the Privatisation of Saudia; the Change Process, and Employees.

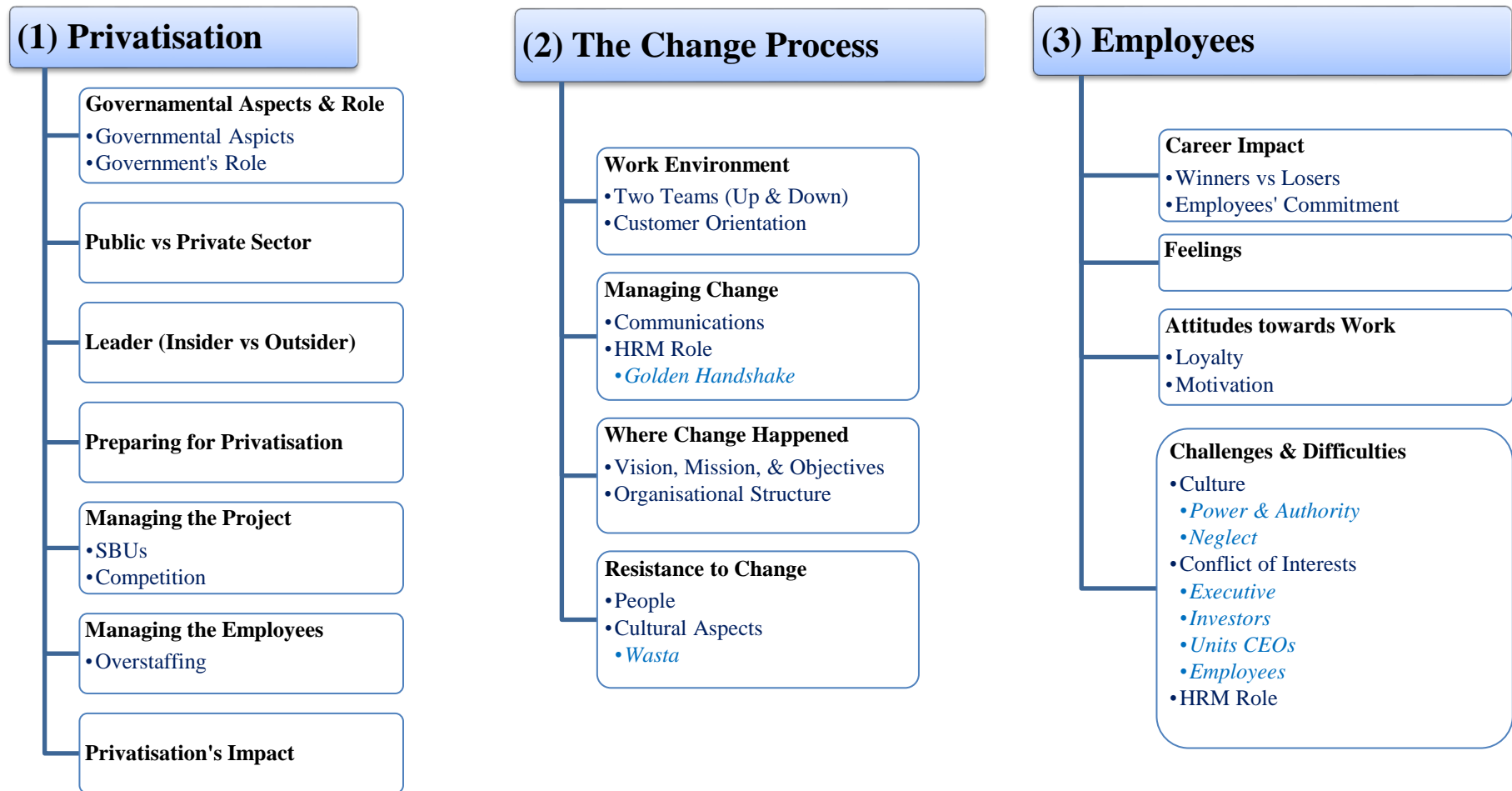


Figure 5.1 Research Findings (Categories, Themes, and Subthemes)

5.4 First Category: the Privatisation of Saudia

This category is considered to be the key, main pillar and cornerstone of the research topic. It is the driving force of the change process that has taken place in Saudia since 2006. In the investigation, the researcher gave as much time and space as was required to allow participants to talk and convey their views on privatisation, its impact on the company and themselves: its execution and progress. The analysis of participants' responses led to the generation of seven themes and three sub-themes (Figure 5.2). The findings and analysis of the emergent themes and sub-theme will now be presented.

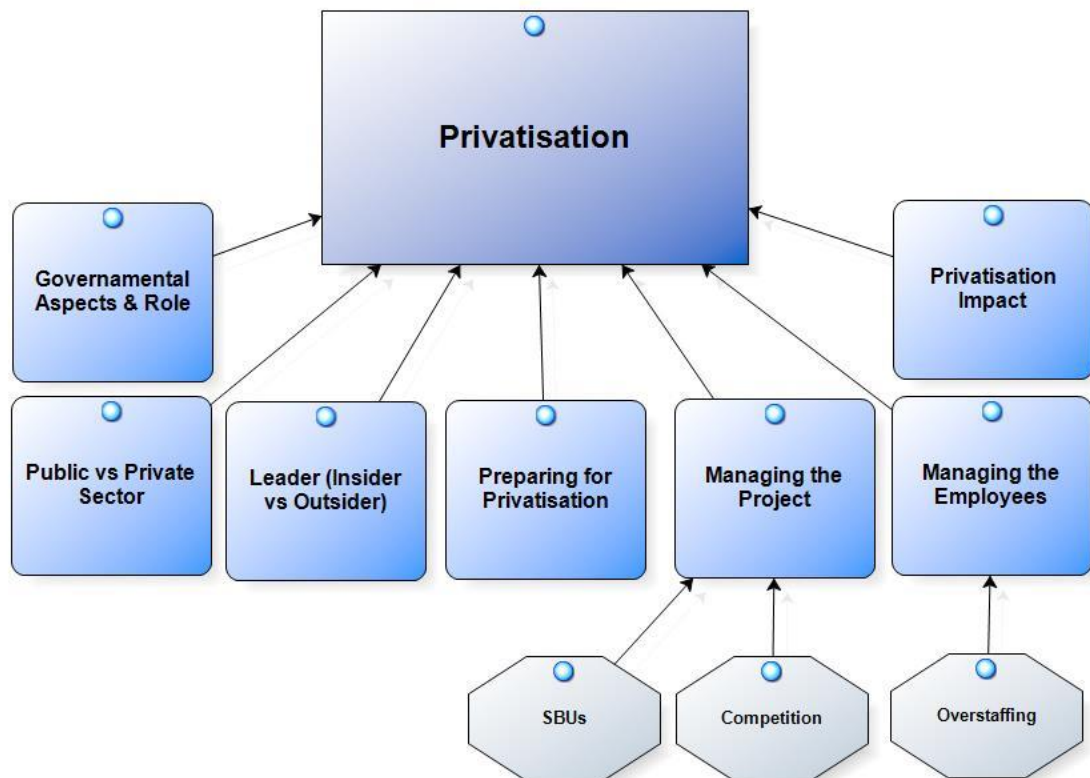


Figure 5.2 Privatisation category and its associated themes and sub-themes

5.4.1 Governmental Aspects and Role

This theme emerged from and so was based on participants' views at all organisational levels. These views, perceptions and comments were divided into two main streams: 1) Governmental aspects that are focused on the general financial and social condition of the country and its effect on the direction that is adopted in regard to privatisation, and 2) Government's role is facilitating and supporting the privatisation of Saudia.

5.4.1.1 Governmental Aspects

Participants highlighted their belief that the directive to privatise was given for political reasons, such as focus and project and government overlooking and guiding the privatisation strategy.

P 19: Consultants have advised us that due to safety and stability issues in the region, it would be better to hold fire on the sale of the SBUs as it will be very difficult to attract foreign investors at this time [Gulf Wars].

P 32: The government arranged for officials of the IMF to visit and meet with top Saudia officials as part of the focus to privatise Saudia. The IMF report had reflected that Saudia was highly organised and structured when compared to other Saudi SOEs.

P 11: Through the different development plans, which are made at five year intervals, the Saudi government had started the development of the kingdom as it deemed fit while consolidating its tradition, culture, and needs of the future.

5.4.1.2 Government's Role

The government's role was regarded as an external aspect as it was directed towards Saudia and other associated bodies in the government, but also as an internal aspect, as it facilitated internal processes and tasks, allowing Saudia to progress with the process of privatisation implementation.

Externally, the support from the government had come in terms of subsidies and financially.

P 23: The government financially supported Saudia in many ways, including the continued funding for its operation and employees. It had approved and funded the purchase of the new fleet and a new Enterprise Resource Planning (ERP) system as a replacement for the legacy ones.

Support also took the form of issuing many orders and directives that facilitated the establishment of the SBUs and obtaining trade permits, as such orders were linked to affiliated agencies outside of Saudia's controls, such as the Minister of Commerce, GACA, PPA, and GOSI.

P 6: The government had extended the support of other affiliated agencies such as GACA in terms of minimising operating fees.

In addition, the government has backed the privatisation of Saudia by providing financial support until the sale and its transfer from the public to the private sector is completed, such as in the case of approving the budget of the Golden Handshake Scheme (GHS).

P 22: The government provided the financial support in approving the GHS that was recommended to help in the overstaffing condition that Saudia was facing.

5.4.2 Public vs Private Sector

This theme emerged in more than half of the participants' responses when participants showed their knowledge of the general differences between the public and private sector. Many addressed issues related to the structure of operation and the higher level of bureaucracy that is seen in the public sector.

P 1: The approval and process to get approvals is very complicated as some decisions would need to go all the way up and sometimes even to the government agencies such as in the recruitment and opening of new positions.

P 18: It takes a very long time for things to get done here. If I need a new PC for work, the forms and approvals will take at least three months to get them approved.

Also, on the one hand, participants showed concerns about the gains from the transfer to the private sector, as they saw no added benefits to such transfer.

P 7: You see, there is no improvement or gains in terms of pay or benefits, so why should I exert more efforts to improve my productivity or performance levels?

P 21: They are asking me to work harder, but with the same pay and benefits.

On the other hand, they admired the current pay and benefits they received as public employees.

P 11: Let me tell you, I get almost an extra month's salary [from overtime] when I work during the holidays. So two holidays, that is two month's extra pay a year. But our friends [private sector employees] get one month pay extra for working both holidays.

Moreover, job security received negative comments, as participants reflected on the ability for sacking them under the private sector, whereas it does not happen under the public sector.

P 24: Now, if we do not commit a crime, nobody can fire us, but if we transfer, they can do it easily as we will have yearly contracts that can be terminated at any time.

5.4.3 Leader: Insider vs Outsider

This theme emerged as participants provided different views on whether the leader ought to be an outsider or an insider. Executives and top managers supported having an insider leader, whereas middle managers and employees favoured an outsider leader. The executive and top level managers gave their reasons for supporting an insider leader, emphasising the complex operation, regulations, and organisational culture that are associated with Saudia. They argued that an outsider leader would lack the knowledge, understanding and experience that are required to manage the organisation.

P 30: Every organisation has its way of doing things, an outsider would not know it and he would need a long time to learn. On the other hand, an insider would know how things are done, thus, he can start and get things moving faster and with less resistance from the current staff.

In contrast, employees and middle managers saw an outsider as more appropriate, as he would not have working relationships with executives and top-level managers. This would have the effect of allowing an outsider to make decisions based upon facts rather than being influenced and giving in to pressures through relationships with others.

P 12: The new DG [an outsider] meets with his VPs and based on what they say, if it is in alignment with his vision and thoughts, he would allow them to keep their executive positions. If it is not, then he will find a way to remove them from the position. So it is all about business, not relationships.

Moreover, they believed that someone who had been working and operating under the public sector for a considerable length of time could not possibly change overnight or start taking decisions on a totally new basis.

P 19: Do not tell me that a person that has been making decisions based on social welfare, now all of a sudden, will start making decisions based on profitability and competition. They need experience.

5.4.4 Preparing for Privatisation

The theme of preparing for privatisation was highlighted by the majority of the participants within the different organisational levels. Even though Saudia was perceived to be more advanced and organised when compared to other SOEs in Saudi Arabia, nonetheless, almost all participants agreed that the privatisation project had suffered from a lack of proper preparation.

P 32: As an SOE, Saudia was considered far more advanced than other SOEs due to its kind of operation and associated pay and benefits that we [employees] get. Saudia was viewed as the most prestigious organisation that everybody wanted to work in.

Some attributed the lack of preparation to the lack of previous experience and knowledge with privatisation.

P 8: Our knowledge and experience with privatisation were limited. The privatisation of Saudia was the second major project in the country as the first one was the privatisation of STC.

With such limited knowledge, the government and Saudia officials had sought consultation from well-known firms in the field.

P 32: The government did seek consultations from other international groups to gain knowledge and experience that had taken places throughout the world.

Further, many participants had emphasised the different approaches in utilising communication throughout the project. Many asserted that initial steps were not communicated and only a handful of high ranked officials knew about the preparation steps being taken.

P 19: I can say that it was part of the plan to eliminate the EVP's positions and change the organisational structure from vertical to a more horizontal one. People did not like the DG for such actions as they felt that he was preventing them from progressing in their careers. Yet, it was necessary to minimize costs and at the same time, it was part of the privatisation restructuring process, but not many knew that.

Nevertheless, with the change of leaders and the appointment of Eng. Almulhim, participants reflected that the preparation and privatisation project took a different approach that was characterised by speed and transparency.

P 32; The new DG [Eng. Almulhim] came to office very motivated and energised; thus, he initiated several changes that accelerated the project as he looked into each proposed SBU and started with the readiest one to privatise.

P 2: The DG [Eng. Almulhim] had taken a new approach that was not exercised before, which is open communication.

Participants valued the transparency and sharing of information reflected in the DG's directive to HR to print and issue a pamphlet, an employee guide to privatisation to each employee.

P 3: I can tell you that when we got the book [pamphlet], we were very surprised as we had never known anything that was going on. We only heard rumours and scattered news from different sources, but not as clear as this.

5.4.5 Managing the Project

This theme developed as participants provided descriptors reflecting the management approach that Saudia executives utilised since the start of the privatisation project. This was because the researcher received feedback that reflected the ways in which different DGs used different methods, which in turn led to mixed views from participants.

P 23: The first one [DG] was an insider, and he was concerned about the people and made decisions towards improving and increasing the gains of the people that worked in the company, so people loved him. Then, the following one came from an academic background and did things by the book, the mission statement, vision, goals and objectives.

P 19: I think Eng. Almulhim was the best for the privatisation project, yet he was consumed by the operational side and walked away before completing the project.

Such views were shared by other participants. For instance, some specifically highlighted that the fourth DG comes from a financial background, so he sees all issues, concerns and problems in terms of numbers, cost savings, financial costs and not their impact upon the workforce or the feelings of long standing employees.

P 27: My impression of him in my first meeting with him, he talks numbers and looks at numbers.

5.4.5.1 Strategic Business Units (SBUs)

This theme emerged as interviewees gave views about Saudia as one company, then the splitting of the company into different SBUs. At first, participants indicated that no goals or objectives were made towards profitability, but rather, goals were geared towards the dependability and development of capabilities of Saudia.

P 2: Decisions and plans were always linked to show the capabilities of Saudia and the Saudi nationals to work and compete in the market, both domestically and internationally.

Further, participants expressed that the company was set up as one unit, with no separation between the different divisions. Thus, no objectives or tools were put in place that allowed for distinguishing the units that are profitable or which ones are losing money.

P 9: Profitability was difficult to achieve as some units were making money while others not. So only total revenues were reported about the company as a whole”.

In implementing the privatisation of Saudia, consultants stressed the need for Saudia to be dismantled into smaller parts or units, as the company had grown in a way that would be very difficult, if not impossible, to attract investors. Thus, Saudia had to be split into several SBUs to allow for its sale (P 18, 2015).

The establishment of the SBUs had its challenges in terms of the regulations and the ways in which employees were used to working as one: all levels of management and employees focussed upon being a united and supportive 'family friendly type' company. Then all of a sudden, they found restrictive barriers, resulting in them being unable to access essentially needed information or get a service that they had been used to receiving through a simple phone call. The whole process began to be very complicated, time consuming and disruptive, causing frustrations.

P 7: Establishing the SBUs had its challenges, internally, we had to decentralise many departments, such as HRM, finance, and legal. Also, establish the Board of Directors for each SBU. Externally, there were further challenges because of the regulations of many Ministries, such as Commerce, GOSI, PPA, and GACA who did not support this process. So this led us to seek approval from the government to be able to establish these SBUs.

P 24: It was not possible to sell an organisation that was not profitable and did not have the permits to operate under the private sector.

Such views reflected on the changes needed both internally in terms of the organisational structure and processes and externally, in terms of obtaining necessary permits and authorisation to operate legitimately.

5.4.5.2 Competition

In regard to competition, participants directly associated it with the privatisation of the company. They stated that the company used to have a central marketing department that was mainly focused on business travel, cargo, and catering. Those were the main functions that had brought in revenues, whilst other divisions had occasionally got involved with providing services to other operators such as technical services.

P 11: The marketing was mainly focused on the passengers where the technical services and medical services are equipped with state of the art equipment that could be marketed to other operators in the region, thus, allowing for more revenues and profits to be generated.

Further, it was highlighted that with the establishment of the SBUs, now each unit would need to have its own marketing department, which entailed the de-centralisation of the marketing division. However, many emphasised that due to constraints on hiring new employees and the lack of previous attention to marketing those units, the decision was made to utilise current employees to staff the new marketing departments within the new SBUs.

Also, participants asserted that opening up the market and allowing other airlines to start its operation in Saudi Arabia had put much pressure on them to operate efficiently and use the provided resources properly.

P 14: Employees had to utilise resources more effectively and learn how decisions affect the operation not in terms of quality and safety only, but at the same time in terms of cost, which “was new to us”.

P 18: Privatisation led us to establish a new unit; strategic planning. We now look at the impact and consequences of our decisions. We have a budget that is approved by the board and we make our plans accordingly. This was never done before.

Moreover, new concepts of customer orientation were imposed, as competition had provided customers with the ability to fly with carriers other than Saudia, hence, removing the monopoly that Saudia used to have over the Saudi market.

P 8: Privatisation put us [Saudia] face to face with new operators, which we never faced before, so, we needed to learn to be more customer oriented and realise that people [customers] now can choose between us and other service providers.

Nevertheless, some responses reflected resentment of the actions taken in regard to competition and development of the full sense of being split from the holding Saudia Company.

P 28: Until now, after the sale of the unit more than three years ago, people still do not consider us as customers. Yes, we were one company, but now we are units that provide services to each other. When we hold a business meeting to discuss the prices and contracts, they get mad and they keep saying, we are one team, we should not bring financial issues between us. I reply, so what is the purpose of the meeting then?

P 6: Until today, we have not recruited or established a marketing department within the SBUs. We have assigned people from the current staff to perform the functions of this department.

5.4.6 Managing Employees

Regarding managing the employees, the views expressed were twofold; the first centred on the overstaffing issue, which was problematic and had a direct impact on the privatisation process that Saudia was undergoing. The second portrayed the way participants felt in regard to the way they were managed, which had directly impacted them in terms of their feelings, attitudes, and careers. The former will be depicted next, while the latter will be depicted under the third pillar of this research; Saudi Employees (see 6.3 and 7.5).

5.4.6.1 Over-staffing

This sub-theme was generated based upon participants' interview comments on the manpower issues that Saudia has been facing. Respondents touched on issues related to the law and regulations that limit SOEs' ability to downsize and discharge redundant or incompetent employees.

P 21: The law does not allow us to get rid of employees with low productivity or ability.

P 30: Low performance or capabilities are not valid justifications to discharging an employee, so we have many that are not productive or qualified.

Also, many saw that privatisation would not be appealing to them as no added value would be received, which in turn, had led them to value staying under the public sector and opposing the transfer to the private sector.

P 30: I do not see that we will benefit from privatisation, in fact, I think we will lose from going under the private sector pay.

In addition, the overstaffing situation was not taking place throughout the firm. People with access to information discussed the issue with a better and clearer understanding of the situation. They stated that the over-staffing issue is problematic, because it exists in certain areas of the organisation, whilst under-staffing exists in other areas.

P 29: You know, we [HRM department] face difficulties in the manpower distribution in administrative functions. We are over-staffed and these people mostly hold no special or technical education, which does not allow us to utilise them in supporting the needs we have in the technical and specialised functions, which are under-staffed. This is our problem. It is a headache trying to balance everything and please everyone.

P 7: Due to operating in a heavily regulated business, many of the technical and operational jobs that we have, require specific specialist degrees and qualifications, but we cannot recruit. No money.

Nonetheless, participants commended the government for standing behind the employees and refusing the usage of aggressive options to downsize Saudia.

P 32: The GHS strategy was approved by the government as a tool to facilitate reducing the total workforce that Saudia has acquired.

P 17: People welcomed the GHS and were very appreciative to the government for not letting them be affected by the privatisation of the company.

Moreover, in general, top managers and executives only see the impact of over-staffing in terms of costs and high levels of overheads. These count as they are associated with high operating costs, which in turn deter investors from being interested in the company or the SBUs. Following the rules of Ministry of Civil Services (MCS), which is the umbrella Ministry that is responsible for all public employees, it is forbidden to sack any employee, unless he or she has been found guilty of any wrong-doing. Therefore, over-staffing is not seen as a justifiable reason to sack employees.

P 31: The main reason for utilising the Golden Handshake Scheme was the absence of a mechanism that allows us to reduce our staff.

Thus, we had to pay them money to be able to get rid of redundant people.

The over-staffing problem has become insurmountable, which has increased in magnitude. This is because at first, management was able to shift and transfer excess workforce from one SBU to another SBU or other units, in order to be able to attract investors and/or make a sale. However, as the workforce began to grow because of the strategies used and the law, this was no longer allowed, so the magnitude of the issue became problematic. With the cessation of the GHS, it would appear that the only way to resolve this problem is for employees to retire voluntarily. This is especially so, for a company with too many staff employed in jobs that are surplus to organisational management requirements, while there are too few staff in other essential jobs, however, as stated, voluntarily retiring was not a popular option for many employees.

5.4.7 Other Impacts of Privatisation on Saudia

This theme emerged due to the impact privatisation has had upon the operation and the work processes within Saudia. Whilst in this theme the responses came from almost all employees within the different employment levels in different units, unexpectedly especially after more than ten years since the start of the privatisation project, most comments emphasised that the privatisation had only affected certain units and departments within Saudia. Such impact was seen, for example, in units that were viewed as supporting units to the main operation of the airline but are now units and need to set their own objectives, market themselves and generate revenues.

P 13: Privatisation has put us in an awkward position. In areas where the directors are motivated and believe in privatisation, we see ourselves focusing our attention on competition, market share, and other stuff. Yet, in other areas where directors still hold a public sector mentality, things are relaxed and nobody feels a change or an impact on work processes. Thus, some would say it affected our way of doing things and others would disagree with that.

P 18: Privatisation led us to establish a new unit; strategic planning. We now look at the impact and consequences of our decisions. We have a budget that is approved by the board and we make our plans according to it. This was never done before.

Further, participants discussed that the privatisation project had led to the approval of high budgets to prepare the firm for sale. For example, the IT infrastructure was outdated, nonetheless, due to the huge cost of updating it, this was not approved in the

past. However, it was recommended to update it, in an effort to modernise the company, and so make it more appealing to investors.

P 32: The IT systems that were used by Saudia were called legacy systems due to its old heritage as they have been utilised by the organisation for more than twenty-five years. They were outdated and functions were called stand alone, which means that a separate system is used for each function within the airline.

Another impact was that privatisation was seen as providing a sense of freedom in decision-making, as it had simplified the processes that had been associated with the norms of the public sector. This had allowed Saudia to make decisions as deemed necessary.

P 12: ... now with privatisation, we now have a freedom of movement. We can hire and sack whomever we want and as we see fit. Before, it was centralised, slow, and complicated process. Now decisions are made almost immediately.

5.5 Summary

This chapter presented details about research participants' profiles and discussed the first category of the findings regarding the privatisation of Saudia.

The key outcomes were the significant focus on the nature of the organisation and the impact of operating for long years under the public sector. Interviewees' responses emphasised executives' role and views as the factor that mostly affected the privatisation and change process. The Saudi government was seen as the most pivotal factor affecting the privatisation process. According to participants, the employees are considered to be the stakeholders least considered in the privatisation process.

Many responses reflected the link between Saudia and other affiliated agencies and that for Saudia to succeed in its privatisation project, other entities would need to support and take part in the privatisation project as it is a collective effort. The most critical findings in this category centre on the ambiguity and uncertainty of many aspects that are associated with the privatisation project, of which only a very few people in the organisation were aware of, which the rest of the employees are living in a void of lack of information. Next chapter, presents the second and third categories: the change process and Saudia employees.

CHAPTER SIX: RESEARCH FINDINGS AND RESULTS

PART II

6.1 Introduction

The previous chapter (5); Part I of the findings, has presented the first category; privatisation of Saudia. This chapter will continue presenting the findings and results, with the second and third categories; the change process and Saudia employees. The analysis of the research data has led to the development of several themes and subthemes (Figure 6.1) for each of those categories, which will be presented in details hereafter.

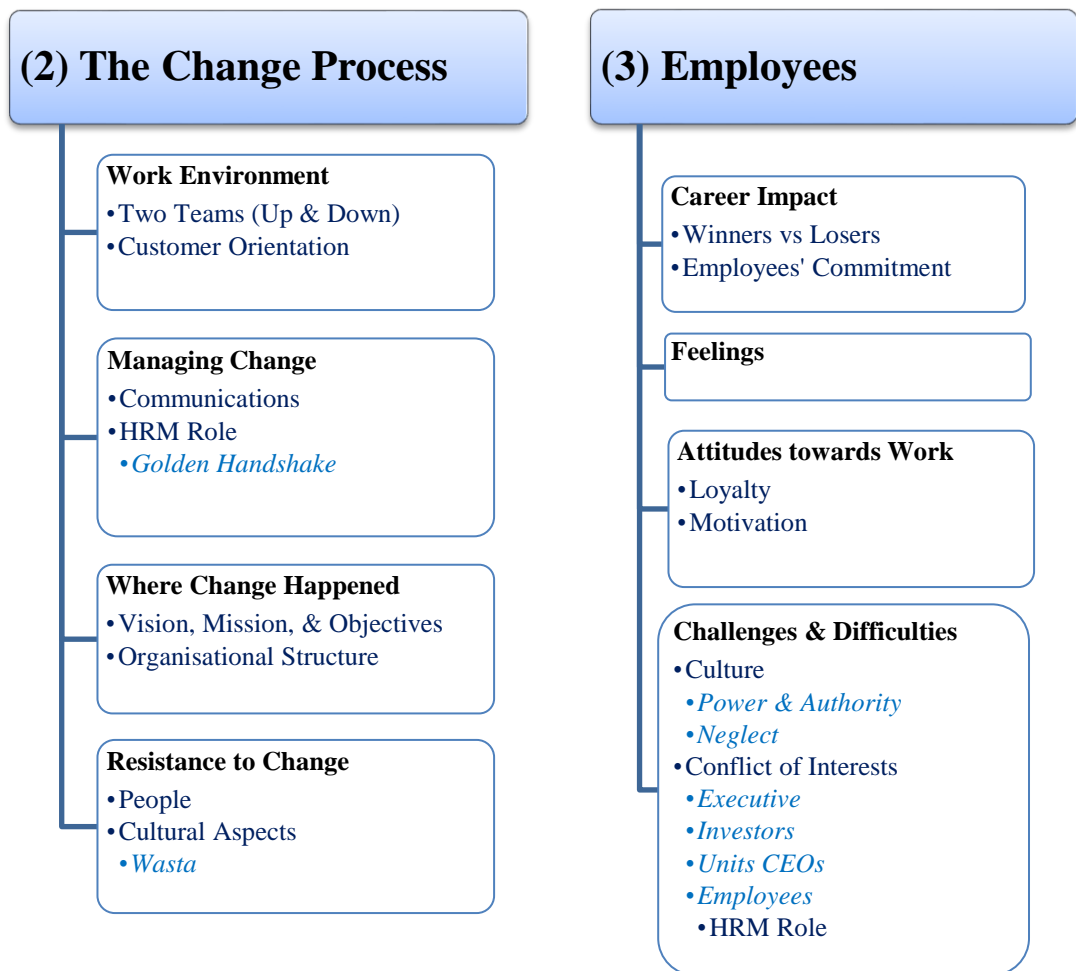


Figure 6.1 Second and third categories and their associated themes and subthemes

6.2 Second Category: The Change Process

The second pillar of this research study is the change process and its involvement in the privatisation project. Participants' responses led to the development of four clearly identified themes, eight sub-themes, and two sub-subthemes, detailed below in Figure 6.2.

The changes the organisation and employees are undergoing whilst the organisation transfers from the public to private sector have been identified not only in relation to the execution or implementation of the privatisation, but also in relation to employees' views on the change: how it took place, the perceived impact, the action and reaction towards different change steps that were taken by officials. The results of each of these themes and sub-themes will now be detailed.

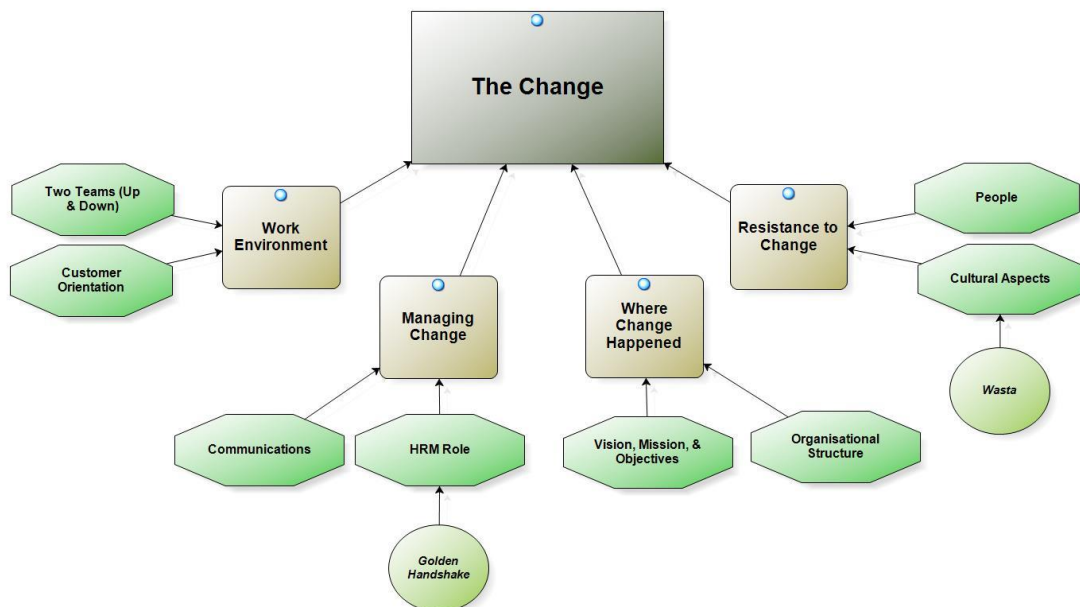


Figure 6.2 The Change Process category and its associated themes and sub-themes

6.2.1 Work Environment

Work environment was the most referenced theme in the entire study. It was mentioned more than 130 times by all participants, as it was seen to play an important role in facilitating work conditions and employees' morale. The work environment was portrayed in two ways. The first described the physical aspects of the workplace. The second was more associated with the soft and intangible aspects that shaped the work environment, such as groups, departments, morale, etc.

In terms of the physical condition of the work place, almost all participants agreed on the deterioration and inappropriateness of the work environment conditions that the employees experience.

P 12: The work environment is awful, people are working in bad facilities as they stopped maintaining them due to the move to the new airport within the next few years. However, until they move, how do you expect people to work here?

P 26: To be honest, "it is not a healthy environment to work in"; things were much better before.

Responses conveyed in regard to other non-physical aspects of the work environment led to the generation of two sub-themes; Two Teams (Up and Down) and Customer Orientation, which will be delineated below.

6.2.1.1 Two Teams (Up and Down)

This sub-theme emerged as all interviewees at the middle and lower levels kept referring to being divided and discriminated against by people in the top levels of the organisation. This division came about as employees in the lower organisational levels saw that those at higher levels have substantial increases in their gains from the changes to the organisational structure.

P 20: I told him, people at the top are discussing and caring only about their gains from the privatisation and nobody cares about the people down here.

Further, the division had been enforced, as it was highlighted that many leaders seek to promote their relatives and close friends to vacant positions using their powers, '*Wasta*', as a result of the GHS, which led to the building of groups and clusters within the same department or division.

P 14: The directors were keen to select and promote certain individuals regardless of their abilities but rather for personal gains and *Wasta*.

P 22: Man, do not tell me that those promoted were qualified. If I had *Wasta*, I would have got the position very easily.

Moreover, the division occurred as a result of not caring and listening to the viewpoint of employees at lower levels of the organisation; the comments here were more associated with lower and middle managers.

P 17: I am sorry to say that many managers do not care that much about the employees, they just want to see results and they hate to hear about their problems or anything that can interfere with the outcomes.

P 31: The main concern I see is the huge gap and difficulties an employee faces to get his point of view to reach a higher official.

6.2.1.2 Customer Orientation

This sub-theme came next in order, under the work environment. Customer Orientation received ample attention from the interviewees as they stressed that this concept was not present in the current operating processes, nor had much been done towards strengthening it since the start of the privatisation project. Being customer oriented is an important aspect as it is an important focal point in any privatised company, as attending to customers' needs is a major goal of investors who wish to facilitate and excel.

P 28: Until now, after the sale of the unit more than three years ago, people still do not consider us as customers.

P 6: Today, I tell you that we did not recruit or establish the marketing department within the SBUs. We just assigned people from the current staff workforce to perform the functions of that department.

Also, many highlighted that many hold the old concept of monopoly, believing that customers do not have other options; they can only fly via Saudia or use other transportation means.

P 11: Our customers have no choice, either fly with us or drive their cars. There is no other option.

6.2.2 Managing Change

This theme was the second most referenced theme in this category and was one of the main themes, being referred to more than 90 times by all participants. There was an agreement among participants that officials, over time, have sought consultations from different firms.

P 13: I can tell you that for the last three DGs, their very first initial steps when they took office were to approach consulting companies and requesting them to look into organisational structure, jobs' descriptions, unifying job titles, and so on.

Moreover, participants asserted that the aim of consultations was to obtain recommendations, rather than being part of the implementation phase. Also, participants argued that there was no clear plan or division or person responsible for managing the change process.

P 23: Currently, we do not have a plan or somebody who checks if what we are doing is in accordance with what the plan says, which will get us to our final destination. We started a journey and we are still exploring without anybody telling us where we are so far and where we are going.

However, others disagreed and asserted the presence of an initial plan, although it was not adhered to.

P 7: There were initial plans if you want, but no contingency plan or process as to what was to be done if things did not go as planned. So, things simply came to a halt once an obstacle arose.

P 18: The consulting company gave us a seven-year plan for the transformation process, which had included a time scale for each stage. The first step was associated with a proposed new organisational structure, which was incorporated all at once. Nevertheless, I believe that this is the only step of the seven-year plan that was executed in time and as prescribed.

In the same line, one participant stated that

P 23: The initial steps taken by the DG [Eng. Almulhim] gave the indication of utilising Kotter's 8-steps model of change. As he did give vision, celebrating short wins and other steps, nevertheless, he did not officially or clearly show such adoption of the model. So, it was his way of managing the project, yet not as an official tool, I think.

Lastly, respondents reported the absence of efforts and techniques that would enforce the new change.

P14: The new uniform has the new SBU logo and name. However, until today, six years since the establishment of the SBU, we have employees who are refusing to wear the new uniform. They are claiming that they are employees of Saudia and they are on loan to the SBU. Therefore, they have the right to wear the old uniform that represents Saudia and not the SBU.

Further, many descriptors were associated with specific issues in relation to the change imposed by the privatisation of the company. Thus, two sub-themes were developed to address them; communications and the role of the HRM division within Saudia.

6.2.2.1 Communications

Communications were mentioned repeatedly throughout the discussions on the change process. Very different levels of communications and their quality were reported by the respondents. The findings revealed that communication was present in some units, whilst totally absent in other units. Also, it was used at different times based on leaders' method of managing the change.

P 3: I remember, in all of his [Eng. Almulhim] interviews and visits to different divisions and SBUs, he always talked to us about our future of the company's and what is going on with the project.

On the one hand, those who believed that communication was not utilised stated;

P 4: The use of communication as a tool to facilitate the change process is absent. I know some managers believe that having people in the dark is better than enlightening them as they might start questioning things, which they do not have answers for.

P 12: They did not use proper communication methods with the staff. There was no communication at all.

On the other hand, others disputed such claims saying;

P 27: I believe that "communication still exists and has never stopped".

Others perceived that some changes were communicated indirectly through Saudia's website, but not directly.

P 18: Most of the changes were posted on the official website, but unfortunately, no direct communications with the employees took place.

Others, saw that certain units suffered particularly from lack of communication.

P 32: I am telling you that the problem in unit [X] is the communications with the people. People do not get accurate information at all.

In addition, many emphasised that the absence of communications opened the way for rumours and gossip to circulate within the firm, which also, affected employees' morale, as they felt isolated.

P 28: All we hear are rumours. No one is saying anything to us. It is not a clear picture of what will be the situation with the airline or what will happen next.

P 15: Man, we have been part of this firm since its beginning. The executives joined Saudia recently and did not sweat or work hard to see it grow. So, they expect us to stay silent and do as they wish. We have the right to know what is going on, it is our company.

6.2.2.2 HRM Role

This theme emerged as participants commented on the HRM in two ways; first, in relation to the privatisation and second in relation to themselves, in terms of HRM being the department that should look after them and be their guardian. The first view will be depicted here, while the second will be put forward under the third category; the Employees (see 6.3.4.3).

Participants emphasised that the HRM department had been substantially marginalised by being prevented from performing its accepted functions during the last period of the operation under the public sector. This was attributed to the bureaucratic culture that public enterprises operate under and also, to sharing the rules and regulations of the MCS, which imposes certain processes that supersede or conflict with the functions of the HRM department in Saudia.

P 9: Our HRM is marginalised and just keeps performing a few basic functions.

P 11: There are many functions that our department is responsible for, yet, in reality, we only do three. We arrange for hiring people, manage their attendance, and arrange for their retirement. Other functions like performance evaluation, training and development, career path, job re-engineering, and much more we do not do. In short, the HRM department has been deprived of conducting its functions.

Despite the above findings, it was revealed that with the start of the privatisation project and the need to recruit new employees, hiring them under the private sector umbrella, the HRM department had started slowly to learn and assume its new role.

P 5: With privatisation, we needed to hire new staff with contracts. Consequently, HRM had to get involved as its role became central as never before.

Further, downsizing was a task brought in by the privatisation project, which had a direct link to HRM. In addition, the GHS mechanism that was utilised in reducing the workforce was executed by the HRM.

P 16: HRM issued a booklet explain the four options we [employees] have in regard to the transfer from the public to the private sector. It was clear for us that we got on with evaluating what is best for us.

P 22: Our HRM had to get involved, as they were overlooking the execution of the GHS option and the downsizing of the company.

Further, some participants attributed the poor performance of the HRM division to the complexity and magnitude of the tasks that HRM was expected to be involved in, without any prior experience or preparation.

P 22: All of a sudden, we got busy, assigned to different projects, and got to do what was asked of us. Nobody asked, do we know how to do it.

P 30: I can tell you, the project was huge and no preparation or training was given to HRM of any kind.

(A) Golden Handshake Scheme (GHC)

This sub-subtheme presented huge controversy among participants. At first, participants explained that the overstaffing problem was tackled prior to the introduction of the GHS.

P 5: The overstaffing issue was tackled by Dr Bin Bakr as he started eliminating EVP positions, in an effort to reduce manpower and at the same time change the organisational structure.

Although participants have favoured the idea of utilising the GHS as a tool to assist with the problem of overstaffing and redundancy of employees within Saudia, the majority of the participants emphasised that the implementation of it was wrong. This led to the development of this sub-subtheme, as the adopted strategy resulted in a problem that had a serious negative impact upon employees and the change process. The following quoted findings are presented to reflect the problem with the way in which the GHS tool was utilised by Saudia.

At a start, it was highlighted, certain criteria were established for applying for the GHS, as not all employees were targeted by the downsizing process. Moreover, people commended the GHS approach in reducing the total workforce.

P 20: The consulting company, told as that 7,000 employees need to go.

P 21: The GHS was commended and welcomed by the employees and Saudia officials as they saw it as a win/win case.

P 26: There were three main criteria that were put for employees to be able to apply for the GHS. 1) the applicant must have completed 20 years of service in the public sector, 2) must be aged 45 or above, and 3) holds a position that would not affect the operation of the company.

P 16: There was an exception from the age condition if the employee had a health issue that affected his performance, then he could apply for the GHS.

Nevertheless, participants reflected that culture had interfered with the process.

P 18: Man, even with this [GHS], people used Wasta to interfere with the outcomes of the reviewing process.

P 17: The GHS was a good idea, but the execution was bad, people started using their powers to benefit from it, either by getting their friends approved for it or by bullying rivals to apply for it.

Despite the alleged interference, the GHS had led to reducing workforce.

P 13: Using the GHS allowed us to downsize Saudia by 4,000 employees.

P 24: We only approved 4,000 and still have 3,000 to go.

Yet, officials believe that the goals of the GHS had been achieved, so, the scheme was terminated officially.

P 24: The DG [Eng. Al-jasser] issued a letter terminating the GHS as it had served its purpose.

Also, it was highlighted that the government did not give Saudia complete authorisation in terms of discharging people, still Saudia had to seek government approval when it came to decisions about the people.

P 32: The government was worried about the welfare of the employees and did not want the project to come at the cost of the people, so many orders and decrees were issued to protect them.

The dilemma that led to the dispute among participants was summarised by one participant as follows.

P 11: The Golden Handshake was a good strategy, but the execution was terrible. The reason is that senior management could not decide on the criteria by which it would be used. In one instance, you see the company giving it to poorly-performing employees, so they leave the organisation. However, in that case, people said, the company was rewarding the bad people and giving them money to leave. In other instances, they gave it to well-performing employees as a reward for their hard work. In this case, the good people, who worked hard and had lots of expertise, simply left the company and the bad ones without experience and with bad attitudes stayed, which seriously affected the performance level of the company.

This situation had people divided in their views as the GHS was considered as a very good tool that was poorly executed.

6.2.3 Where Change happened

This theme emerged as a result of participants reflecting upon the change process and providing their comments on where change had occurred. Responses reflected that change had taken place internally and externally to the organisation. The external change was associated with the government's support, thereby allowing Saudia to manage itself internally and through the Board of Directors, which is key to privatising the company.

P 32: I believe the major change that has taken place is in being able to take decisions without the need for government approvals. Now the DG can buy aeroplanes, get loans, and make strategic and important decisions through the Board of Directors and not the government. Such a change, even though it is not felt at lower levels of the organisation, is a major one as it gave us the freedom to act.

Such freedom in making decisions was significant as it had allowed Saudia to take necessary decisions accordingly.

P 10: The change came in approving the modernisation the fleet and IT systems, which played a significant role in competing with other new operators in the Saudi Market.

Also, the GHS was part of the external support, as its budget was approved by the government, as detailed previously.

Further, an external change was reported to have occurred in allowing Saudia to obtain trading authorisations whilst being owned by the government.

P 1: I can see that the change has taken place in obtaining trade permission and being listed under the private sector. Thus, with time, these SBUs will be fully operating under the private sector, which will allow us to make profits and attract investors.

On the other hand, in terms of internal change, responses centred on two main areas: the organisation's vision, mission, and objectives and organisational structure.

6.2.3.1 Vision, Mission, and Objectives

The findings revealed a division of opinion among participants in regard to the changes made to the organisational vision, mission, and objectives. On the one hand, some people say they had not changed.

P 28: I bet you that no one can tell you that this has happened [change in goals, mission, and objectives], so we can agree that this did not happen, but no one was told.

P 27: No, nothing has changed. People do not understand nor know what our new goals are.

On the other hand, some people asserted that they had been changed.

P 4: OK, on one side, they have changed them [vision, mission, and objectives]; however, letting us know about it is something else.

P 7: New ones [vision, mission, and objectives] were written, but applying and communicating them did not happen.

Nevertheless, it was clear from those who agreed that the change had taken place, yet communicating the change could have been an issue.

6.2.3.2 Organisational Structure

Participants provided different descriptors that linked the change process with Saudia's organisational structure. It was highlighted that, at first, bureaucracy had impacted the structure while the company was operating under the public sector.

P 22: Like any other state firm, our structure has been affected tremendously by bureaucracy.

P 11: I can tell you that we were ordered to create certain positions, like senior manager, that was not in our original structure.

Nevertheless, there were attempts to correct such issues, but not directly, as highlighted by some participants.

P 32: The DG, Dr Bin Bakr, utilised retirement of people as the way of eliminating positions, thus, changing the structure.

However, respondents emphasised that the breakthrough came when the government gave power to the board of directors, which signalled the ending of interference with Saudia.

P 24: For the first time ever, the government had allowed and empowered the Board of Directors to appoint the new DG of Saudia since its establishment.

P 19: The government allowed Saudia to run its day to day operation and make its own decisions.

Yet, interviewees asserted that the culture was very strong and rooted in the fabric of Saudia, as powerful officials were cautious when it came to changing the structure, as they sought to spot any chance to increase their gains, in the one hand, or anything that would affect them negatively, on the other.

P 11: Many, particularly in top-level positions, were vigilant and discreet in regards to the restructuring process, what their new titles would be and what power they would have.

P 15: I am telling you, the privatisation gave powerful people the chance to hire and promote their relatives.

P 20: I can tell you that, in the privatisation process and during this chaos, many are looking and spotting opportunities to get better positions for themselves or someone close to them. So, they just want to increase their gains.

As a result, many respondents highlighted a contradiction in the change as the organisational structure had grown to be more vertical rather than horizontal, and more managerial positions were created than was initially expected, which was attributed to the influence of the current organisational culture of patronage and nepotism.

P 28: Yes, the organisational structure changed [Ha!Ha!Ha!], it was the only change that took place because it was in their interest. Even though I could accept to some extent that the organisational structure was changed to support the privatisation of the company, in my view, the problem lies in the functionality of the new structure, and

everyone grabbing money through promoting themselves and their friends/family.

P 13: The entire structure is wrong. It was designed as a courtesy to certain people so they and their friends could gain more influence and benefits.

6.2.4 Resistance to Change

The findings demonstrate that this theme emerged as participants conveyed their views on the change process and the obstacles and difficulties that they noticed or faced during the transformation process. The difficulties were mainly divided into two areas; people and the change process.

6.2.4.1 People Resisting Change

The difficulties experienced by the participants came in several forms, which show the complexity of the situation. Nonetheless, many participants showed their understanding that humans are the key and most important element of the change process.

P 20: People are your ultimate problem – this is a major issue with the people when changes are implemented. You can fix or change the place, system, and tools, but without people and their commitment to change, nothing will work, so is it worth changing?

Nonetheless, they express that the importance of the employees is only talked about, yet not integrated into actions.

P 2: I am very sorry to say, in all executive speeches, you hear them talking about the people being the core and most valuable asset in the company, yet, they do not count them in their decisions.

Also, working in Saudia for quite an extensive period, led to people resisting the change as, they liked the way things had been going on for some time, and so were not willing to support the transformation.

P 7: People have been working under the public sector for too long, thus, finding someone willing to lead and transform his department is very difficult.

Further, anecdotes were shared in the case of employees who were refusing to change, which showed a high level of sense of belonging and attachment to Saudia.

P 8: We have an MD [Managing Director], who is refusing to change the decoration in his office that displays the old logo of Saudia.

P 17: We had a battle with the old employees as they refused to accept employment status letters on the new SBU letterhead. They are insisting that we issue these letters on Saudia letterhead.

This sense of bonding had established the feeling that Saudia belonged to all of the employees, which had resulted in some employees feeling part of the company, thus, they believed their opinions should be considered when taking decisions about its future.

P 3: People want officials to take their views on issues related to their work.

P 9: In my view, people want to be respected. They want executives to think about them and get them involved in the decisions that are being made. They feel that they have been part of Saudia for too long and they have the same stakes as them. Yet, I am very sorry to say that none of the units had considered this point.

When they were not consulted and alienated, some attributed this to being leaders brought from outside the organisation, who did not share their views and lack of senses of belonging.

P 7: They [new leaders, outsiders] do not care, they just look at Saudia as another company or project, they were not part of the team that built it and saw it grow as we did.

This ignoring of the employees had resulted in several negative outcomes, as some had filed law-suits against Saudia, others resisted the change and did not promote it, while others gave up and were thinking about retiring.

Finally, participants indicated that the situation had led to the clustering of people in groups and divided the employees into different camps such as “Up and Down”, “winners and losers”, and “them and us”.

P 26: No matter what you are told, it is not good working in this unit. It is divided into clusters that share the same interests and background. So you cannot infiltrate these clusters or even try to get them at the same table or to move in the same direction unless they want to. It is an uphill struggle. The work environment allowed for the establishment of such clusters that they want me now to manage and change.

6.2.4.2 Cultural Aspects

In the findings, various descriptors were provided, which explained that many cultural issues were taking place in Saudia. Almost all participants asserted that the culture had not changed, even after ten years from the start of the privatisation project. A few participants considered the change to be very limited and highlighted that the change could mostly be felt at higher organisational levels, but not much at the lower levels of the firm.

P 28: Let me tell you, the culture has not changed. Not one bit. If I accept anything about it, I would say that a limited and very minimal change has occurred in the representatives and agents that are working in the parent division [Saudia Holding Company] but not in the SBUs.

One interviewee conveyed that just recently, the organisation had started focusing on the cultural aspects.

P 31: Just now, we are working on supporting cultural changes so that people that work get recognised and gain other benefits as rewards for their dedication whilst people that do not work will not get these benefits, which is different from the past where everybody got the same annual increase regardless of their work output.

In the discussion of culture aspects, a key area of significance (*Wasta*) was continuously repeated throughout the interviewing process, which led to the generation of a sub-subtheme to address it.

(A) *Wasta*

This theme was generated due to the strong emphasis provided by interviewees on the strong presence of *Wasta* and its significant impact on the privatisation and change process. All participants alluded to different acts of “*Wasta*” within the company and during the change process, particularly by people in leading positions, who used their authority as leverage and/or as support towards certain decisions that were in alignment with their personal interests.

It was expressed that the exercise of *wasta* was common throughout public firms and not only Saudia.

P 27: Similar to other public sector, bureaucracy had its arms in utilising the company to hire people that are of less capabilities and competencies.

Participants highlighted that *wasta* was associated mostly with hiring, promoting, and organisational structure, as most responses have asserted different ways in which power and authority were exercised, such as in promoting or hiring people or in increasing their personal gains.

P 29: ...on one occasion, we had ten vacant positions that we wanted to fill. We advertised in local newspapers, then did the tests and interviews for the people who had applied. Now just a week before finalising the names, I got informed that six names had already been selected. Can you believe it? We had 110 applicants that had applied for these ten positions, now we could only select four out of the 110 applicants. It is ridiculous!

Moreover, people with authority and influence exerted efforts to support relatives and family members in getting hired or promoted within Saudia, regardless of whether or not they had the requisite skills, knowledge and commitment to Saudia.

P 19: When I got invited to personal ceremonies, my boss introduced me to some people. I was surprised to find that all of them are his relatives and they all work in Saudia within different divisions and departments. I get the feeling as if they have inherited the company as a family.

However, when discussing the impact of privatisation on the practice of *Wasta*, some participants suggested that it had reduced it.

P 3: *Wasta* has been confined to a certain extent, it was able to confine such interference in the recruitment process, particularly in the SBUs that were sold.

However, others disagreed and believed that privatisation allowed for a greater level of freedom due to the absence of accountability and actions were justified as being needed as part of the privatisation steps.

P 15: I am telling you, privatisation gave powerful people the chance to hire and promote their relatives. The opportunities came as people retired and many managerial positions became vacant. These powerful people grabbed the chance to promote their relatives to fill those positions. That is even when they do not have the right qualifications or experience. If you complain, it is you who will lose your job. To me, the sad thing is there is nothing, absolutely nothing that can be done about it.

6.3 Third Category: Employees of Saudia

This category is the third pillar of this research study: Saudia's Employees. It investigates employees' perceptions of the privatisation and the change process of Saudia, as well as how they were affected by them. The participants' responses led to the generation of four themes and several associated sub-themes (Figure 6.3), which will be depicted next.

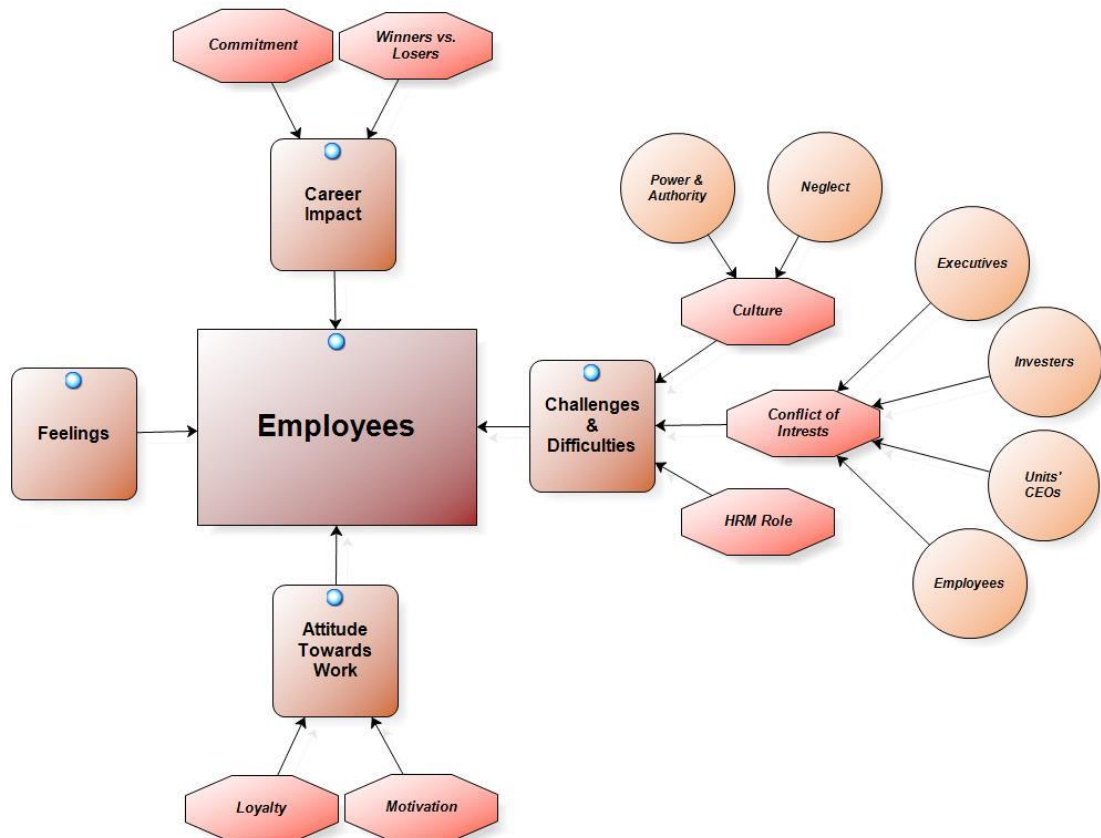


Figure 6.3 Employees category and its associated themes and sub-themes

6.3.1 Career impact

This theme emerged as all the interviewees commented upon the ways in which their careers had been or were being affected by the changes imposed by privatisation. However, most responses were associated with the options that were deployed in relation to downsizing Saudia. The GHS as a mechanism was directly linked to shared comments.

The impact on employees' careers took effect with the appointment of Eng. Almulhim, as he directed the issuance of the employees' guide to privatisation in which a list of

options was given to the employees (see 7.4.2.2). In response to those options, interviewees said that:

P 15: In the early stages of the project, people were in anticipation of the proposed resolutions that were presented by the DG.

P 2: As a result of those provided options, the first group of employees, around 4,000 employees, were approved for early retirement through the GHS in which they received a cash amount for the remaining period of their service.

P 24: The first steps that were taken by the DG and higher officials were to finalise the GHS and complete the retirement process of those employees in the first group, which was important due to its direct impact on the overstaffing issue and at the same time reducing the operating costs.

Yet, it was conveyed that due to financial constraints and, again, the falling oil prices, the GHS was stopped.

P 30: The crisis in 2008 and financial constraints had resulted in the cessation of the GHS and it was never approved by the government.

Moreover, many participants asserted that they were targeting the option to retire and re-sign a new contract with the newly established SBU. Nevertheless, as this option was not approved, employees were disappointed and some were angered, as they missed out on the GHS.

P 25: The consequences of not delivering on the promise that was made to the employees led to deteriorating employees' morale and motivation, which the company has not been able to recover since then.

P 27: People were let down hard and they felt a huge loss.

Consequently, people reflected on the impact on their careers in terms of gains and losses and their commitment to Saudia, which led to the generation of two subthemes; Winners vs Losers and Employees' Commitment.

6.3.1.1 Winners vs Losers

This subtheme was generated to reflect the impact of privatisation on employees' careers. Participants categorised the impact of change on their careers under one of two standings: winners and losers. People who benefited and gained from the privatisation

of Saudia were viewed as winners, whilst on the other hand, people that did not benefit from the privatisation were viewed to be losers.

P 28: People at the lower levels saw that the people in upper levels got promoted very quickly, so they got a better position, higher pay, and more benefits, while those at lower level got nothing, no better positions, no higher pay, no added benefits, which is reflected in their performance and attitude towards work.

P 12: Soon after, the term winners and losers was commonly used among the staff as they referred to the people that benefited from the privatisation as winners and people that did not gain anything from it in terms of promotion or benefits were called losers.

Also, those who were approved for the GHS and received a sum of money were considered winners by others, while those who did not get any change to their existing packages or benefits saw themselves as losers.

P 25: People were motivated and continuously looking and evaluating which choice would be good for them, however, once things changed and the last two options were void and the GHS was stopped, things started to get depressing and disappointing.

P 20: People that remained in their positions without any gains saw that they had believed in a myth and they realised that they had lost in this deal.

Although the government had protected the employees from being sacked, they continued to compare themselves to others around them, which maintained the sense of division.

P 22: People, down there, do not appreciate or see how lucky they are that they were not downsized. On the contrary, all they see is that we [the Directors] are the ones that have benefited from it. This simply is not true. In time they will get some benefits. They just have to wait.

Further, the situation was aggravated when employees found out that others have been promoted by *wasta* rather than due to their capabilities and performance.

P 4: Man, it is *Wasta*. Can you explain to me, how a person that lacks competency and experience gets promoted?

Further, the findings show the development of a clear distinction between the employees affected positively, and those affected negatively, in terms of their morale and motivation towards work.

P 17: You today are telling the people to keep on working without giving them any incentives or motive to stay or work, particularly the people in lower levels of the organisation. What adds to the criticality of this situation is that they see higher-level staff getting the big promotions and far better positions, but nothing has happened to them. They get nothing. This is a very depressing condition that I have to deal with when I meet with these people.

6.3.1.2 Employees' Commitment

This subtheme emerged as the findings revealed that participants' future career plans and their commitment to Saudia were impacted upon by the changes imposed as a result of the privatisation project. There was a wide range of views. Twenty-six participants conveyed their views about their future plans for working in Saudia, of which eighteen participants stated that they would certainly move to a different organisation if a better opportunity became available, or retire.

P 23: I would definitely leave here to work for a better and a more professional organisation that has a better understanding of the concepts of career-paths, talent development etc., as it is very sad that these things do not exist here and *wasta* plays a major role in career progression.

Surprisingly, most participants conveyed that they had never thought about leaving Saudia, as it was their dream to join it in the first place and they felt proud to be part of it.

P 19: Joining Saudia was a dream for us when we were studying at the university.

Nonetheless, a shift in employee's views had occurred, which reflected the change in conditions that they had experienced at work, thus, influenced their views about work.

P 28: People outside the organisation show that they are proud to be a Saudia employee, yet, once they step inside their offices or hangars, they are disgusted and they feel sick that they just want to leave.

Further, some expressed that no actual change had taken place, despite the structure, but the way of conducting business and the way of managing the business was still the same bureaucracy and use of *wasta*, which disappointed them.

P 10: Nothing has changed. Not one thing from the manager's level those below. Nothing changed, not in the title, positions, duties, processes, or anywhere. We are still the same public sector with the same thinking.

Four participants held neutral views, as they said their future plans would depend on how Saudia's situation eventually develops.

P 12: For me, it all depends on what happens. I would like to continue here at least until things become clear and the privatisation project is completed. Then see what to do.

However, four participants said that they would remain in Saudia and would continue working there, as they believed that in the end, Saudia is the best place for them.

P 18: I would definitely stay in Saudia, and the reason is that I truly believe that what we are going through is normal and is expected. Things will get better, I am sure. Just wait and see.

6.3.2 Feelings

This theme covered numerous experiences and situations experienced by participants as they shared their feelings openly, both emotionally and verbally. People showed mixed feeling and confusion, even though a long time had passed since the start of the privatisation project ten years ago. Participants emphasised that high-level officials are not aware of the magnitude, or the level of change that Saudia was undergoing, and all the effects and impacts this was having on its employees.

P 29: Man, something is so wrong. I do not understand why we are in such a mess. You know I am [an official], well if you come and see us, you would laugh [Ha! Ha! Ha! Ha!]. Total and utter chaos.

P 20: Unfortunately, they [top officials] do not understand, or they do not think about how things are turning out to be this way. They do not seem to have any idea of the magnitude of the radical change that we are undergoing. So, they just keep using old concepts and ways of managing the project and us. It is unbelievable.

A wide range of different feelings and emotions were shared by participants, including the feeling of being treated unfairly, being frustrated, and hope.

Many employees, particularly at lower levels of employment, felt that they had gained nothing, or not very much, from the privatisation process, and they asserted that they had been treated unfairly. Such feelings grew to the point that many employees filed lawsuits, seeking fairness and justice.

P 29: Man, it is unfair, a person like him [a co-worker]. How do you marginalise him? Where is their care about the company? How come

nobody asks or questions that? Even everyone says this person is getting paid for a year without doing anything.

P 32: Can you imagine, many employees come to my office so desperate as they are being treated unfairly by their superiors, because they have been passed by, many times, from getting training or promotion.

Also, participants raised their voices or made certain physical gestures during their interview, which reflected their frustration with the current situation, such as pounding the table, clapping their hands, and facial expressions indicating frustration and aggravation.

P 28: Can you imagine, without any official order, they marginalised me for ten months? I get paid for drinking tea and reading newspapers [banged on the table]. No one asks or even says how come this person has nothing to do? I am telling you, nobody cares. They only care about their interests, not the company.

P 27: Man, it is very unfortunate. Just go and see for yourself. Brand new aeroplanes are grounded and no one is working on them [Ah...loud sigh].

Yet, when it came to the feeling of hope, views were divided into two directions: negative and positive. The negative side showed the extent to which people had given up all hope, due to being continuously let down.

P 28: Initially, they gave people hope and made them dream of better working conditions. But once they were not able to deliver on their promises, people lost all hope.

P 1: For me, I wish that I had applied for the Golden Handshake and left. I am telling you, I hear that it might be brought back again. If they do, man, I am gone!

In contrast, on the positive side, people in certain positions who had access to information were able to make comparisons and see the changes that the company had undergone.

P 24: I know, believe me when I say things will get better. Just wait and you will see it too.

P 18: OK! I see this organisation is changing. It has changed to the point where an outsider was hired with a salary of 100,000 SAR. This was not available in the past. So, things will change in the end.

Nevertheless, this hope resulted in a negative effect at a later stage, as people within the organisation are working under the public sector pay scale, which pays far less than that

which this person received: he was hired and paid a 100,000 SAR salary. Therefore, the organisational context is very complex, because what could be considered as a positive change can also instigate negative consequences at the same time. This dichotomy elevates the level of difficulty of such change processes.

6.3.3 Attitude towards Work

This theme emerged as a reflection of the impact of privatisation on employees' attitude towards work. In general, according to the responses in this research study, people were in a numbed condition when it comes to their attitude towards work. Those who had lost hope were determined to leave as soon as they got the chance either (a) through the GHS if it is reinstated or (b) through retirement or (c) finding another suitable job somewhere else with a different company. Others, who were uncertain, as to what to do were maintaining the status quo but working at a slow pace, whilst waiting for the situation to become clearer, to enable them to decide what decision to make.

P 9: To be honest, many of us are just waiting to see what the outcomes of the new structuring are. So to tell you the truth, many have said that they will keep on working in a way to keep things running, but no changes or improvements will be initiated until they see the decisions that will be taken by the DG.

Also, people indicated that they were maintaining their performance as much as they could in recognition of the teachings of Islam.

P 15: I am working to the best I can, for the sake of Allah.

P 7: Many of us are working and perfecting our work as being good Muslims and adhering to the teachings of Islam.

However, very few officials claimed that a slight improvement had been reported, which they were hoping would increase with time.

P 31: I see that peoples' attitude has now changed, as they see that we recognise the ones that are productive. People see that we have started appreciating the ones who work while penalising the ones who do not work. This is totally different than how we used to be as everybody was treated the same with no distinction whether they worked or not.

P 24: OK. I expect it [enthusiasm] to improve in the future as I can see a slight improvement, which I think will increase with time.

Others stressed that they were working because they truly believed that they could still contribute to the organisation.

P 17: For me personally, I believe that I can still make a change and a positive impact. Therefore, I am staying and will keep on working until I feel that I can no longer give anything anymore.

Analysis of the responses received in relation to employees' attitude towards work resulted in the generation of two subthemes: loyalty and motivation.

6.3.3.1 Loyalty

This sub-theme was generated as a result of participants' reflections of the impact that they perceived privatisation and the change process had had upon them. Many employees demonstrated high levels of loyalty and gratitude to Saudia, as they felt that they would not be in their current position if it had not been for Saudia. Such views came mainly from these employees who were either sponsored, trained or educated through the different Saudia programmes.

P 7: A very long line of people are still serving Saudia and I swear to God that they are doing this because of their loyalty to Saudia and the country.

P 20: We are loyal to Saudia because it gave us our dream jobs, training, scholarships, and great benefits.

Similarly, participants reflected their deep concerns and care about Saudia.

P 15: Executives do not understand that we genuinely and deeply care for Saudia, which is the reason for us to get mad and angry as we see some of their decisions will do more harm than good.

P 6: I assure you, many of the problems that are going on are because people down here care very much about the company. And when they see wrong is done or bad decisions being made, they get frustrated and feel that Saudia is their company and that they should do whatever they can to protect it.

6.3.3.2 Motivation

This sub-theme emerged from the findings due to interviewees' emphasis on their perceptions and experiences of peoples' motivation and how it had been affected during the privatisation and change process.

P 32: In 2014 and eight years after embarkation on the privatisation project, the thrust and momentum that was gained at the previous years had vanished as the difficulties and obstacles that remains are more complex, such as the overstaffing issue.

Another critical issue mentioned many times by participants was the overlooking of employees needs and views. This was associated with forcing the change upon the staff and not implementing it through open dialogue and discussions.

P 18: In the midst of change, employees were overlooked. We took notice very late when their morale had deteriorated and performance reached low levels. Since then, many initiatives have been deployed, but unfortunately, we have seen very little improvement.

In addition, other participants saw employees' motivation as having vanished directly due to mismanagement of the privatisation project.

P 4: People have had enough. Things have been accumulating since the start of the privatisation project and nobody is listening to them or their needs. So they started a law suit. To me, the suit is just a reflection of their voice, that no one is listening to them...The unfortunate thing is that officials think that it is about money, which it is not. It is about respect and making them feel part of the organisation.

6.3.4 Challenges and Difficulties

Respondents' comments emphasised specific challenges and obstacles that affected them, the privatisation and change process. Their comments highlighted three main issues: culture, conflict of interests among the different stakeholders within Saudia, and HRM role (Figure 6.4).

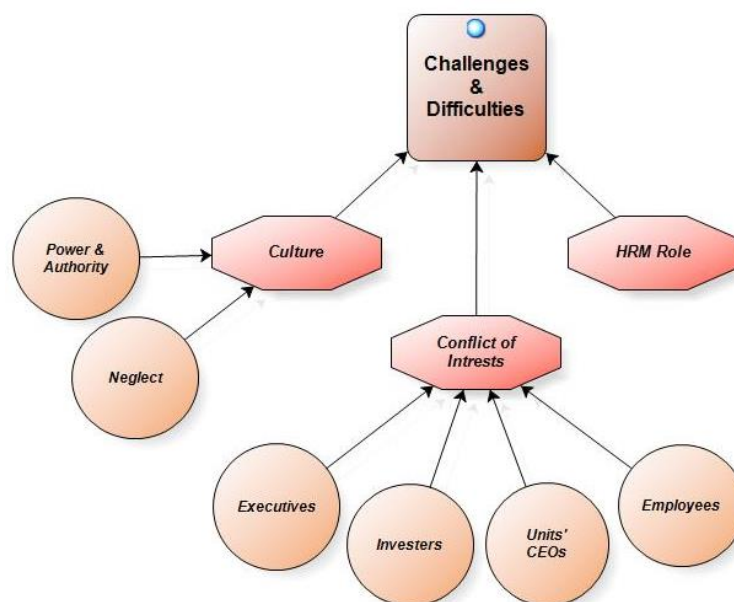


Figure 6.4 Challenge and Difficulties theme and its associated sub-themes

6.3.4.1 Culture

This subtheme came about as a reflection of participants' whilst attribution of certain aspects to national norms. For instance, it is a norm that time of not much significance to state firms, yet, when the new DG, Eng. Almulhim, joined Saudia, being a businessman and coming from the private sector, he pushed for quicker processes and decision-making.

P 1: The new DG (Eng. Almulhim) works and takes decisions quicker and in a very timely manner while other VPs and directors lag, which is attributed to him, (the DG), coming from the private sector where the VPs and executives have been working under public sector their entire life.

Nevertheless, certain aspects were difficult to change, such as becoming customer oriented, as Saudia had operated in a complete monopoly since its establishment, which made it less prone to customer needs (see 6.2.1.2).

P 30: We still face challenges in regard to responding to customer needs.

Further, many participants attributed many of the challenges in relation to organisational culture for being a public enterprise for quite a significant period (more than 60 years), which led to adopting certain norms that challenged and hindered the change.

P 11: We are not utilising the HRM to its full potential.

P 3: Nobody had thought about employees' reaction and considered them part of the equation, they were overlooked.

P 5: Downsizing is very difficult due to limited and very rigid laws in regard to public employees.

Even though the organisational culture was the main point raised regarding challenges, the emphasis was given to two particular cultural aspects; power and authority and neglect.

(A) Power and Authority

This sub-subtheme was generated based on responses that were indicative of employees' perceptions of executives' use of their authority and power when dealing with employees' needs and current working conditions. Many interviewees highlighted

that executives, during changeover, used their power and authority to impose their wishes and decisions upon them, rather than having an open dialogue and discussion with them.

P 10: He [DG] issued a directive to use a biometric system to record employees' attendance. This is an external change imposed without any consideration or thought or involvement with employees. What is important is what is inside the employees' head and their feelings. Without this, it is not going to work. Biometric scanning does not mean we have been privatised. The executives should think about reflecting privatisation inside the minds of the staff and not just externally.

P 4: Can you believe it? I was promised to get this position, as I had been in an acting position for more than four years. But in the end, they used their authority and gave it to someone else without any explanation.

The use of power, also, had affected the privatisation project as some key individuals were able to take actions to reverse the change.

P 19: on his [the CEO's] first day as Head of the Division, he issued a directive order to undo all that was done by his predecessor. This was because he believes that the company should not be privatised.

(B) Neglect

This sub-theme was developed because of participants' responses of very strong feelings of being left out, totally ignored and made to feel as not being of much significance when decisions are made. Such neglect was manifested in different forms, such as not sharing information with the employees, which was one of the most prevalent forms. This was perceived negatively by the employees.

P 15: There is no newsletter or any type of circular that tells us what is going on or where we are in the project. Not even the options that we have if any. We just get informed of the decisions and we need to adapt to them like robots.

The absence of information had fed speculations and spread of rumours throughout the firm.

P 31: The lack of information had opened the doors for rumours and gossip to circulate throughout the organisation with a particular concentration in lower organisational levels.

In addition, employees reflected that the situation was very disappointing, especially, when officials were not able to deliver on their promises in terms of the options of their transfer from the public to the private sector, leading some to perceive a lost opportunity. Such loss led employees to be sensitive to any surprises or negative news.

P 16: People felt the backlash as their executives were not able to deliver on the promises, which they made... so Royal Decrees were issued, which contradicted what the DG had initially proposed. People just lost all faith and as a result, their motivation just went downhill.

As a consequence of all this unrest, people were wondering and worrying about the impact of privatisation on them. However, higher officials did not address these concerns. Such managerial neglect still persisted, as employees in some divisions still did not know what their future would be or where they would end up.

P 25: Sadly, I cannot tell you what the MD is doing. He does not share anything with us, unfortunately. We do not exist. We are invisible. Do your work and keep quiet. Make no problems.

6.3.4.2 Conflict of Interests

Participants commented about conflicting views and interests among four main internal groups within the Saudia organisational context: 1) Saudia executives, who were considered to be the officials of the privatisation and change process, 2) SBUs' investors, who represented their own views and goals on managing the units they now own, 3) Unit CEOs, who had the role of leading and managing the SBUs, and 4) the employees, who had their own views and interests which they strove to achieve. Figure 6.5 illustrates the subthemes (stakeholders) associated with the Conflict of Interests theme.

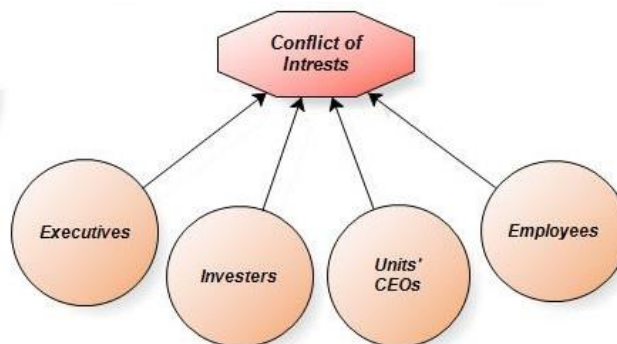


Figure 6.5 Conflict of views and interests among Stakeholders

(A) Saudia Executives

This sub-subtheme emerged as it was highlighted that executives were pressured to show speedy results and improvements, which sometimes led them to go for a “quick fix” rather than a permanent solution. Therefore, interviewees expressed and believed that their main interest was in living up to the challenge imposed on them by the government.

P 11: Because of the pressure that is put on the new DG to achieve results quickly. You see, this is due to the nature of some issues that would need a long time to develop, but he cannot wait as he is pressured into showing quick results. For instance, he might not investigate or resolve the root causes of certain problems as he would if he had time rather than going for the quick fix.

(B) SBUs Investors

This sub-subtheme emerged based on interviewees’ comments when discussing investors’ views and interests as part of the newly privatised units. Comments reflected that investors’ focus centres on two main points: 1) seeking control over the units they have acquired and 2) listing the unit in IPO in an effort to gain quick returns on their investments.

P 31: Once the new investor joins the Board, they start pushing for hiring new people in key and sensitive positions. This is done so that they can control the decision-making process. This issue has raised many conflicts, as people that have been working for a long time within the units resist changes. Particularly because they feel that they have been a loyal part of the company for a long time, so have the relevant knowledge, so they are the ones that deserve to be promoted to hold senior positions.

P 15: Since the sale, all decisions have been targeted to getting the unit to go for IPO. The investors have only one aim, so they rejected all projects of improvements. They are focused totally on complying with the requirements that will allow them to have the unit approved to be listed on the market (IPO). Then they will sell some of their shares to get back the money they invested when they bought the unit.

(C) Units CEOs

Responses about the units’ CEOs demonstrated that they had very different views and interests, from Saudia executives and new investors. This was mainly sought to maximise their financial gains during and after the change process. The main drive for

such interest is that those CEOs are still public employees who receive low pay and packages when compared to those working in the private sector.

P 8: Executives are getting far less paid when compared to industry standards, so people feel that they did not gain anything from the privatisation of Saudia in comparison with the privatisation of STC and GACA.

P 27: The CEOs are still public employees with low pay, so they had the interest of increasing their gains through more authority, power, and benefits through holding a higher organisational level, which allowed them to get better benefits; medical insurance, travel, and housing allowance.

Further, a few have suggested that in reaching such a goal, CEOs would utilise their knowledge and experience to drive officials to go their way.

P 21: Keen officials tend to prolong the changes that affect them, as they understand that the new DG, with time, would be immersed with other problems and operational difficulties that would make him see those initial changes of less importance as to the new and persisting ones. Consequently, the DG will be forced to loosen his grip and aggressiveness, as he would need the help and support of those people in critical places to manage the organisation.

P 19: relaying a problem that we faced, the CEO advised officials that the corrective action is to re-assemble the division in the same way as prior to the privatisation. So, he was approved due to the need to resolve the problem.

In addition, the load and magnitude of responsibility of this group are considerable when compared to the level of pay, which led some to avoid holding the positions, while others sought to further their gains, as suggested above.

P 9: I know that, when he [a colleague] was asked to be the CEO of the unit, he refused as the pay increase is about SAR 5,000, which is not worth it. Can you believe it, all the headache and the responsibilities for 5,000 increase?

(D) Employees

Participants' comments about employees having different views and interests from other stakeholders generated this sub-subtheme. Responses showed that employees' interests were of two kinds: first, personal interests, which centre on improving their status; pay, development, packages, and careers.

P 13: I took him [the DG] aside and I said, "I should tell you that the employees will not be happy with the freezing of their promotions". He replied to me, "I am thinking in a different way. We have to reduce our operating costs so our services will be appealing to other customers".

Second, they had an interest that centred on Saudia, which was developed based on the bond they felt with the company.

P 15: Many would like to see Saudia flourish and improve in its services and status and reclaim its previous top ranking among other operators.

As a result of this bond, employees came to resist and object to decisions that they felt do not serve the interest of Saudia and the project.

P 3: When decisions were taken to promote executives to their next higher level, such decisions were criticised as they saw it conflicting with the goal of reducing the operating costs. Therefore, they felt it was hypocrisy, as reducing expenditure would only be a goal if it was related to low-level employees and not to executives.

P 2: We were expecting to see decisions aimed at the development and future growth of the company. Nonetheless, we noticed decisions geared heavily at reducing expenditure.

6.3.4.3 HRM Role

Even though this theme was presented earlier under the privatisation category (see 6.2.2.2), here it has been generated due to the direct association between HRM and the employees. For instance, many reflected the failure of the HRM to educate and increase the awareness of the employees in regard to the privatisation and transformation from public to the private sector.

P 8: I am saying, until today, we do not get the meaning of moving from public to private sector. We do not understand the differences between working under the public or the private sector as everything is still the same. Nothing has changed.

Also, participants alluded to the shortcomings of the HRM division that existed long before the start of the privatisation project, such as in terms of employees' motivation, participation in the decision-making process.

P 15: They [executives] are the ones who have killed our motivation. They just wanted to privatise the company without any consideration for us and how their decisions affected us.

P 10: What is important is what is inside the employees' head and their feelings. Without this, it is not going to work. Biometric scanning does not mean we have been privatised. The executives should think about reflecting privatisation inside the minds of the staff and not just externally.

Regarding HRM's role in managing the change, in terms of resisting it and employing different tactics in overcoming it, people said:

P 4: The approach used in the change process was top-bottom and I believe that it should have been a bottom-up approach. You want people to take part in the change process and not enforce it upon them.

P 21: People started questioning what will be happening to them in their workplace, so what are their gains and losses. Will there be any added benefits to them with the privatisation of the company? Or what will they lose by being privatised? You understand why they were shocked that the meeting agenda did not have any of their concerns on it. No wonder they got mad. We were just told what had been decided.

Further, the role of middle managers was overlooked and was not utilised effectively, as participants highlighted that several problems were associated with the middle management layer of the organisation. For example, it was highlighted that not many were aware of the significance of the middle managers' position.

P 4: I do not think that the executives know or even understand the role of the middle managers, because if they knew, they would not put those people, whom they have selected, into these positions. They lack skills in managing people and also do not even understand their roles or functions.

In addition, middle managers reflected that HRM and higher management had not treated them fairly, on some occasions:

P 18: We have been acting in our positions for many years, but no one cares about us. They are just using us for their own financial gains. We do not matter to them.

P 29: Nobody cares or wants to know about the pressure and problems we face with our workers, and just how difficult it is to work with them, especially whilst we do not have any information, so we do not know the answers to their questions.

6.4 Summary

This chapter has presented the second and third categories that emerged from the research study's findings: the change process and employees along with their sub-themes.

The key findings revealed that:

- a. Division of people into two layers, “up” and “down”, negatively affected the organisation.
- b. A major obstacle was the lack of information.
- c. Most interviewees elaborated on how the management of the change process had been continuously modified throughout time.
- d. Participants emphasised that most changes had occurred in freeing the units to make their own decisions through their Board of Directors.
- e. Dividing the SBUs and de-centralisation of certain functions, such as HRM and finance, was considered to be a key element that facilitated freedom of choice and decision-making.
- f. Other aspects of the organisational culture were found to be problematic; the absence of the HRM role affected the change process critically attributed to bureaucratic nature of public enterprises.
- g. There were high levels of emotions and feelings of frustration, injustice, and neglect among employees.
- h. Huge challenges and difficulties are posed to the change process, as each group has different objectives and goals that contradict others.

Chapters five and six have presented the research findings in relation to the three main pillars of the research, which leads onto the next chapter (7), where the findings and results will be discussed.

CHAPTER SEVEN: DISCUSSION

7.1 Introduction

This chapter is divided into three parts, discussing, respectively, research findings pertaining to the privatisation, the change process, and the employees. In each part, in order to facilitate appreciation and understanding of what took place during the implementation phase of Saudia's privatisation project, the results from chapters 5 and 6 interpreted in the light of established theories and previous research. Then, the chapter will conclude with a brief summary.

7.2 Brief Review of Research Aims and Objectives

Scant attention has previously been given to the implementation phase of privatisation (Antal-Mokos, 1998). For this reason, this research investigated the implementation phase of privatisation from three distinct angles; the privatisation of Saudia, the change process, and the employees, which constitute the three pillars on which this research was built. Further, a processual approach was adopted to look into the evolution and development of change.

It is the intention of this research to unveil and highlight the situational context and interactions within Saudia during privatisation. The discussion will be conducted in chronological order, as this will explain who Saudia experienced privatisation and how change evolved whilst, at the same time, reflecting employees' views on the ways in which they were affected by the change and how they affected it.

PART I

7.3 The Privatisation of Saudia

The first pillar examined Saudia's privatisation project and how it was implemented. The research results illustrate how the privatisation project unfolded and developed and was influenced by many key factors, which are summarised in Figure 7.1.

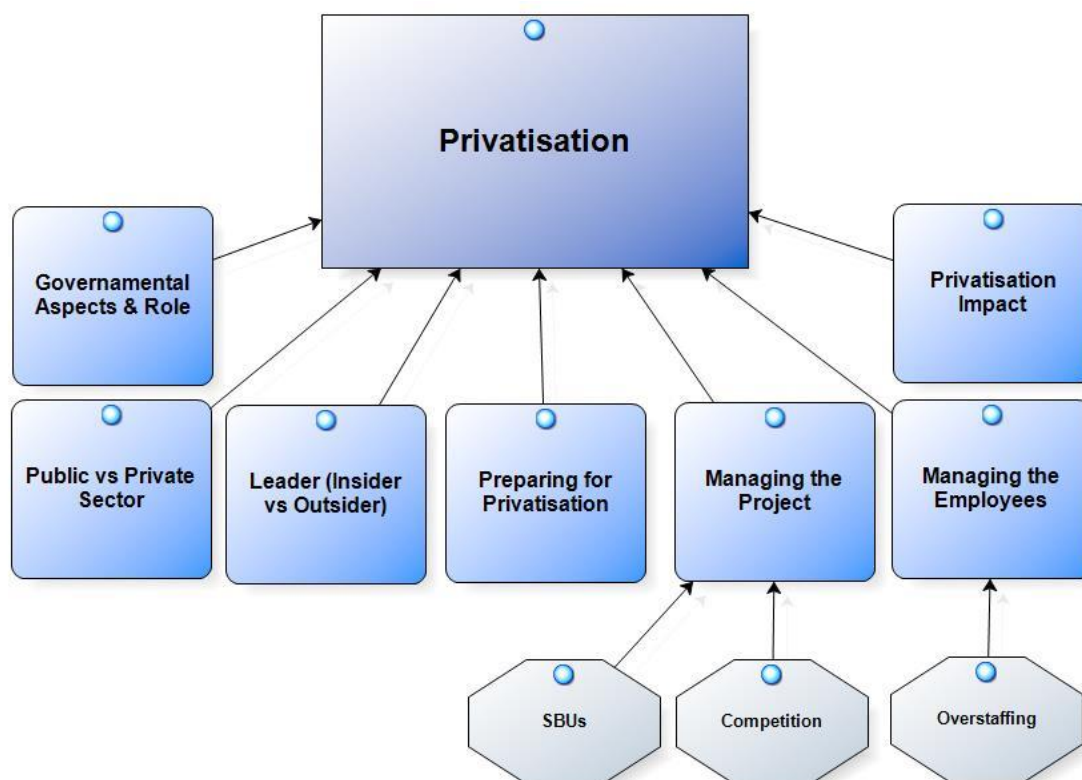


Figure 7.1 First pillar; the Privatisation Project and Significant Factors

Utilising a processual approach enabled the implementation of privatisation to be portrayed chronologically. Although privatisation commenced in 2000, it is still relevant to discuss the period when the company was operating in the public sector. This is because doing so sets the stage and facilitates understanding of the context and conditions in which privatisation took place.

7.3.1 Pre-Privatisation Era (1946-2000)

The Saudi government, during this period, noted the spread of its population throughout the Kingdom, as well as the climate, and geographical conditions, and in consequence established an essential air transportation service. Saudia's history shows that

by its tenth anniversary [1955], the airline had brought all outlying communities of the Kingdom to within a few hours' journeys of each other, both to and from Riyadh and Jeddah, which is the local transport hub for the annual Hajj pilgrimage (Saudia Airlines, 2017b:n.p).

At that time the government was keen to establish a Saudi Arabian presence at both international and domestic levels, hence the importance of establishing an airline,

although they knew that establishing an airline was too costly for a private investor (P 30, 2015). Equally, it would reflect government's care of its citizens' needs as well as enhance its status, by establishing a level of dominance internationally and in particular within the region (P 31, 2015). A similar role has been taken by other governments throughout the world, as Dana and Vignali (1999:280) highlighted:

it used to be that many governments owned airlines, and many of these firms (including British Airways) were thus allied to the state..... Many airlines provided public services and were not in business to make a profit. Air Canada, for example, was government-funded for the purpose of "public convenience". CP Air served Norman Wells, a community with a population of 420 ...profit was not the motive. Government set prices, routes and services; the state also subsidised the industry.

Such aims affected the goals and objectives of Saudia, because when it became an SOE, it had to address social welfare (Bai et al., 2000) as well as various governmental objectives, such as the potential and capabilities of its people and the ability of Saudi Arabia to compete and advance like other nations (Porter, 1990).

The government spared neither effort nor money in the development of Saudia employees, as many programmes were established, ranging from soft-skills training to acquiring technical and operational qualifications from abroad. According to Captain Wadhah Tarabzoni, Saudia used to award scholarships to recruits in technical and pilot training programmes (Alyaum Newspaper, 2005). Saudia focused its attention on gaining a high ranking among other world operators, especially within the MENA region. As a result, Saudia was able to achieve several distinguished awards, especially during the 1980s and 1990s (Table 7.1).

The pre-privatisation period was characterised by the majority of participants as the 'Golden Era of Saudia'. For example, P 6 (2015) stated that "Saudia was the most sought after organisation to join, due to its prestigious status, pay, benefits, allowances, and work environment". Others highlighted that people felt pride in working in Saudia, regardless of the department or division they were in. "People envied us" (P 9, 2015). P 4 (2015) recalled his college years: "I remember that while we were studying at the university, our dream was to get a job and work in Saudia".

Table 7.1 Some of the Awards received by Saudia during the 1980s and 1990s

<i>Saudia 1980s and 1990s Awards</i>	
1983	Certificate of Excellence in Hygiene from IAP, Riyadh.
1986	Mercury Sector Award for Support Services at IFCA, London.
1988	Oscar - In-flight Voyage Retailer of the Year 1988 at Cannes, France.
1989	IFSA Award for outstanding services and notable support to Airline Inflight/Catering Industry, at San Diego, California, U.S.A.
1989	In-flight Sales Award from "Onboard Services Magazine" at Miami, Florida, U.S.A.
1992	IFCA Bronze Medal, for "Story of Success", Berlin, Germany.
1992	Prix d' Excellence from Air France, as Best International Caterer for 1991.
1993	IFSA Presidents' Award of Distinction '93 in New Orleans, U.S.A.
1993	Gold Award in the In-flight service category and overall Mercury Award for "Meals for the Blind", at IFCA 93 in Amsterdam, Holland.
1994	Excellent Service Award - British Airways, Riyadh.
1995	Awarded a certificate for Partnership Award for Excellence between SAUDIA Catering and British Airways.
1996	Best overall Consumer Audit Average Silver Award for the months of March - May 1996.
1996	Safety Shield from the Presidency of Civil Aviation.
1996	Awarded Silver Seal Performance Bond Award by British Airways for first and second quarter of the year 1996.
1997	British Airways Award for Performance, Quality and Service.
1998	British Airways "Performance Bond Award" for both Jeddah and Riyadh.
1998	Quality Cube Award from Lufthansa for SAUDIA Catering Jeddah as the most outstanding in meeting all of airline expectations and Excellent Service Standards.
1999	Diamond Award from On Board Services Magazine for onboard services for passengers with special needs.
1999	Emerald Award for excellent food service from "On Board Service Magazine".
1999	Quality Cube Award for Middle East & Africa from Lufthansa Airlines.

(Saudia Airlines, 2017c)

Such dreams are attributed to the care and responsibility the company offered its employees.

P 32: We were the only company that sent its recruits abroad for training and studying. We gave medical coverage, housing allowance, and free and discounted tickets to the employee and his family. Such benefits were not offered by any other company in Saudi Arabia.

P 7: ...the medical coverage was not only for the employee but his family and parents, which was a huge benefit to all.

Participants placed a strong emphasis on the fact that their parents were included in the benefits provided by Saudia (medical coverage and travel tickets). This reflects

adherence to the teachings of Islam, which attaches importance to taking care of parents and elders, many verses in the *Qur'an* instruct and inform devotees that taking care of parents is the responsibility of their children. For example, the Qur'an says:

And your Lord has decreed that you worship none but Him. And that you be dutiful to your parents. If one of them or both of them attain old age in your life, say not to them a word of disrespect, nor shout at them but address them in terms of honour (Al-Isra, 15:23).

Further, many hadeeths about the Prophet (PBUH) show the rewards for taking care of one's parents, whilst others reflect the punishment for neglect or deficiency in looking after them.

Abdullah ibn Umar said, the Prophet [PBUH] said: "The pleasure of the Lord lies in the pleasure of the parent. The anger of the Lord lies in the anger of the parent." (Al-Adab Al-Mufrad 2, Book 1, Hadith 2)

During this period, Saudia was working within the public sector, with no intentions of transferring to the private sector (P 19, 2015); it focused on the social welfare of the people, due to the vast distances between cities and the need to transport not only people, but also medications, mail, and employees' salaries, which in the early years were paid in cash. Therefore, Saudia was the main, if not the only, reliable method of transporting people and fulfilling their needs throughout the Kingdom (P 32, 2015).

However, the company was facing many difficulties in its operation, despite enjoying a monopoly of the market, as it was the only airline in the Kingdom and benefiting from government subsidies, such as fuel prices, plus reduced if not waived administrative costs that are associated with operating numerous airports and facilities. The airline did not generate revenues or profits, which as time progressed burdened the government. Further, as often reported of public enterprises, the performance and services provided by the company were not satisfactory and were criticised by the public (Akoum, 2009; Ramady, 2010). While, for employees, joining Saudia had been a dream come true, as an SOE, it shared the low performance outcomes typical of many SOEs. Such low-performance and high operating costs led to the decision to privatise the company.

7.3.2 Initiating Privatisation (2000-2006)

The initial privatisation directive were issued by King Fahad in 1994. Accordingly, privatisation was incorporated in the Kingdom's 6th Development Plan (1995-2000) with the target for Saudia to "...aim at operational self-sufficiency and manpower

productivity levels equal to international levels” (Ministry of Economy and Planning, 1995:355). Further, a new DG, Dr Khaled Bin Bakr, was appointed to lead the organisation. Nonetheless, due to the critical political circumstances, e.g. the two Gulf Wars, the privatisation of the airline was restricted to a closed circle of individuals, which included the DG and a few close trustees (P 11, 2015). This reflects how politics is a common and main influence on various strategies, consistent with Wiltshire (1987:109) report that “...even the Thatcher government slowed down the pace of its programme [privatisation] in the run-up to election, and accelerated it immediately afterwards”. In contrast, Boyne (2002:100) suggested that “...political constraints result in frequent changes in policy, and the imposition of short time-horizons on public managers”.

After the Gulf Wars, the government revived the privatisation project, which was finally launched in 2000 (P 18, 2015). The directive given to the DG was to take measures to reduce operating costs whilst at the same time restructuring the organisation (P 32, 2015). Subsequently, the government monitored the airline’s privatisation progress, with related clauses included in every subsequent development plan (Table 7.2).

Table 7.2 Clauses provided in Saudi Arabia Development Plans

Saudi Arabia Development Plan	Clause Provided
6th Plan (1995-2000)	Saudia was to “aim at operational self-sufficiency and manpower productivity levels equal to international levels” (Ministry of Economy and Planning, 1995:355)
7th Plan (2000-2005)	“To finalize the study on the privatization of Saudia” (Ministry of Economy and Planning, 2000:333)
8th Plan (2005-2010)	Given the extensive area of the Kingdom, air transport is of immense importance. Attempts are being made to increase competition in this sector and studies are being conducted to privatize the Saudi Arabian Airlines Corporation (SAUDIA) (Ministry of Economy and Planning, 2005:90-91) In a move to introduce competition into domestic air transport, Council of Ministers Resolution 90 of 2003 adopted an "Open Sky" policy, by granting licences to private airlines to provide domestic air transport services. Rules are currently being prepared for implementation of this resolution, and preparatory work on privatization of SAUDIA is under way” (Ministry of Economy and Planning, 2005:590)
9th Plan (2010-2015)	“Currently, privatization plans for Saudi Arabian Airlines are being finalized” (Ministry of Economy and Planning, 2010:144)

Compiled by the author

Whilst the privatisation project was included in the 6th development plan (1995-2000), it is clearly shown in the clauses contained in successive development plans (7th, 8th, and 9th) that little progress was made. Many people attributed this to the complexity of the project, while others argued that it was due to limited experience and knowledge of privatisation (P 6, P 11, P15, 2015).

Others suggested that work was being carried out but restricted to a closed circle, so very few knew about progress, and most of the tasks were focused on preparation, and getting directives and guidance at the highest levels of both government and organisation (P 24, P 32, 2015). This experience is parallel to that of the UK, as highlighted by Wiltshire (1987). It reflected the typical pattern of privatisation, where the first stage and start of the second stage are associated with top-level governmental aspects and decision-making processes (Figure 7.2).

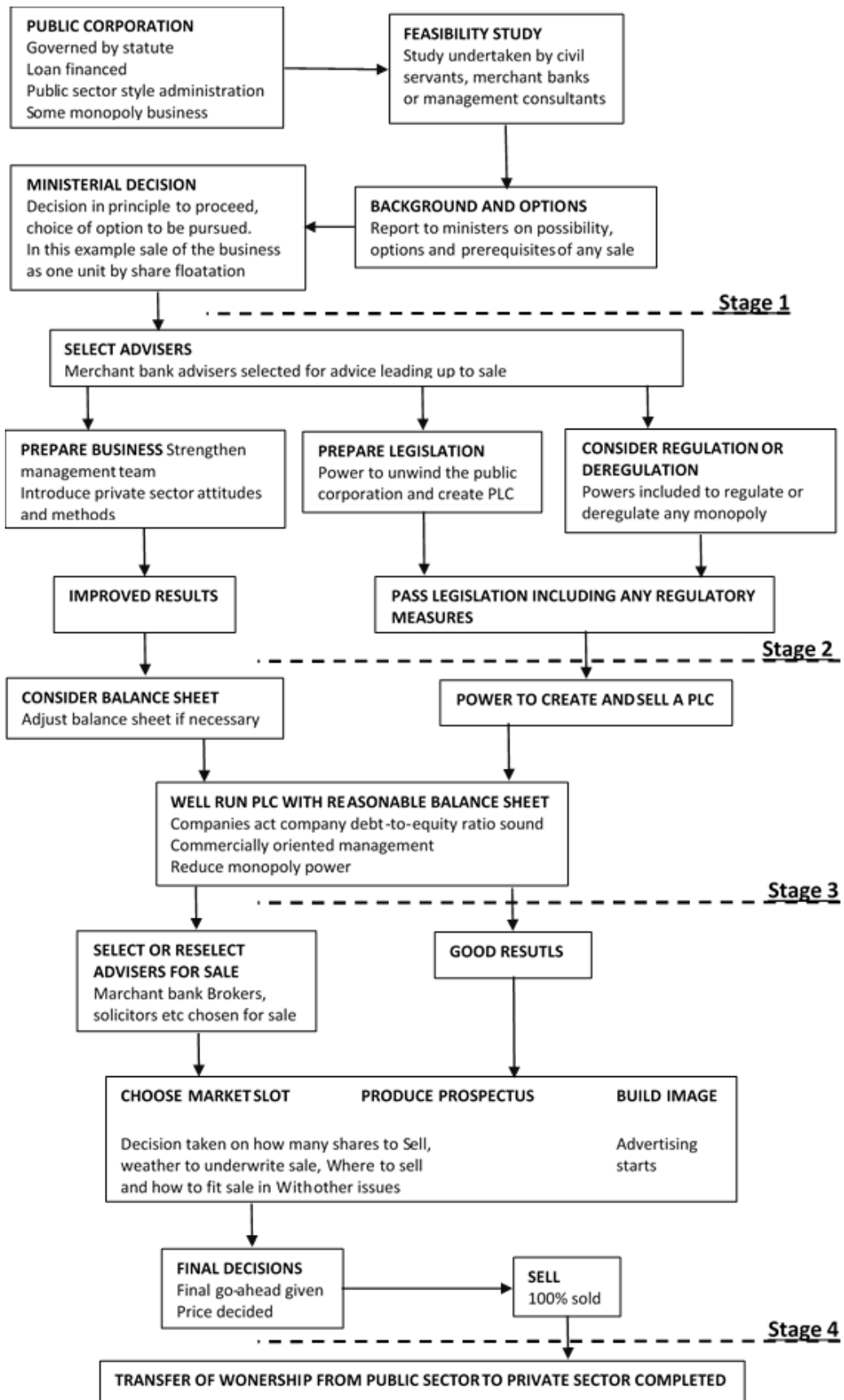


Figure 7.2 Outline of typical steps to Privatisation

(Wiltshire, 1987:31-34)

In addition, according to Vakola and Bouradas (2005:441) “...one of the major obstacles to change programmes was found to be lack of information”. Such issues were evident in the conservative approach towards the expansion and the increased presence of Saudia internationally. This was another controversial issue, as the decision was taken to terminate some routes and destinations that Saudia was flying. Such decisions were highly criticised by many employees, which could be attributed to the lack of information and explanation behind such decisions (P 21, 2015).

Nevertheless, importantly, the DG was able to reduce the total expenditure of Saudia (Kimi, 2004), by reducing the hierarchical structure of the organisation, and above all was able to repress the forces driving the expansion of the workforce, which conflicted with the objectives of privatising the company (P 22, 2015).

7.3.3 Powering up Privatisation (2006-2014)

Although the decision to privatise Saudia was taken in 1994, then reinitiated in 2000, nonetheless, 2006 is perceived to be the inception point of the privatisation project, due to the slowness of the steps taken by high officials in the previous period (2000-2006). Only a handful of people knew about the project, its plans, and progress, as minimal communication took place if any (P 19, 2015). Related work carried out was at a very top level of the organisation, as confirmed by the DG, Dr Bin Bakr. He stated in an interview with *Asharq Al-Awsat Newspaper* that all studies and recommendations had been completed and had been put forward to the Saudia Board of Directors headed by HRH Prince Sultan Bin Abdul-Aziz accordingly (Kimi, 2004).

In 2006, the government took the decision to appoint a new DG, Eng. Khalid Almulhim, who led the privatisation of STC, the first major privatisation project in the Kingdom. Furthermore, the government gave strong signals, indicating its stance behind the project, through a plethora of decrees and directives that were announced concurrently with the appointment of the new DG. This was the necessary impetus to force the privatisation project forward.

According to P 26 (2015), Eng. Almulhim had the essential experience and knowledge to move the project forward. The previous DGs had no experience and had never dealt with such a complex project. Furthermore, P 3 (2015) emphasised that because the Kingdom was in a good economic condition, it was able to proceed with many projects, including the privatisation programme. In their IMF report, Enders and Williams

(2008:n.p) stated that “Saudi Arabia is experiencing robust growth, thanks to high oil prices and strong private sector investment”.

Reflecting on this period, P 32 (2015) described it as the most progressive period of the project, characterised by aggressive decisions and approaches to bring change and momentum to the project. However, as P 8 (2015) stated, although the start was very promising, over time, problems arose and accumulated; hence, progress started to slow down and take different turns than anticipated. This is consistent with Kotter and Schlesinger (2008:2) claims that “...most efforts [of change] encounter problems; they often take longer than expected and desired”.

7.3.4 Privatisation (2014-Present)

At the start of this period, the DG, Eng. Almulhim, who had led the project since 2006, requested to resign as he had served two consecutive terms. Whilst, the government, approved his resignation, it undertook several changes and restructuring steps prior to appointing a new DG. One of the most important changes was allowing Saudia’s Board of Directors to appoint the new DG, which was indicative of the independence of the airline in making its own decisions (P 5, 2015). This step back by the government is comparable to the privatising of BA, when “Mrs Thatcher refused to intervene in June 1986 to force [BA] to buy aircraft engines from Rolls Royce rather than from American source” (Wiltshire, 1987:93). Such action reflected a decrease in bureaucracy and government control, which had been one of the main difficulties associated with privatisation (Boycko et al., 1996; Sotiropoulos, 2004; Önis, 2011).

Further, P 26 (2015) highlighted that the government gave Saudia’s Board of Directors complete control over the decision making processes in issues related to its operation. Thus, through its Board of Directors Saudia was able to seek financial support (funding), which had not been the case in the past, when the government was the only provider of finance to the airline. According to Reuters (2014) “Saudi Airlines secures \$1.9 billion loan to fund planes”. This freedom in decision making was a pivotal point in the privatisation process for Saudia, as it freed the company to make its own decisions based on business objectives (King, 1987).

Seven main factors characterised the implementation phase (Figure 7.3), which will be discussed in turn.

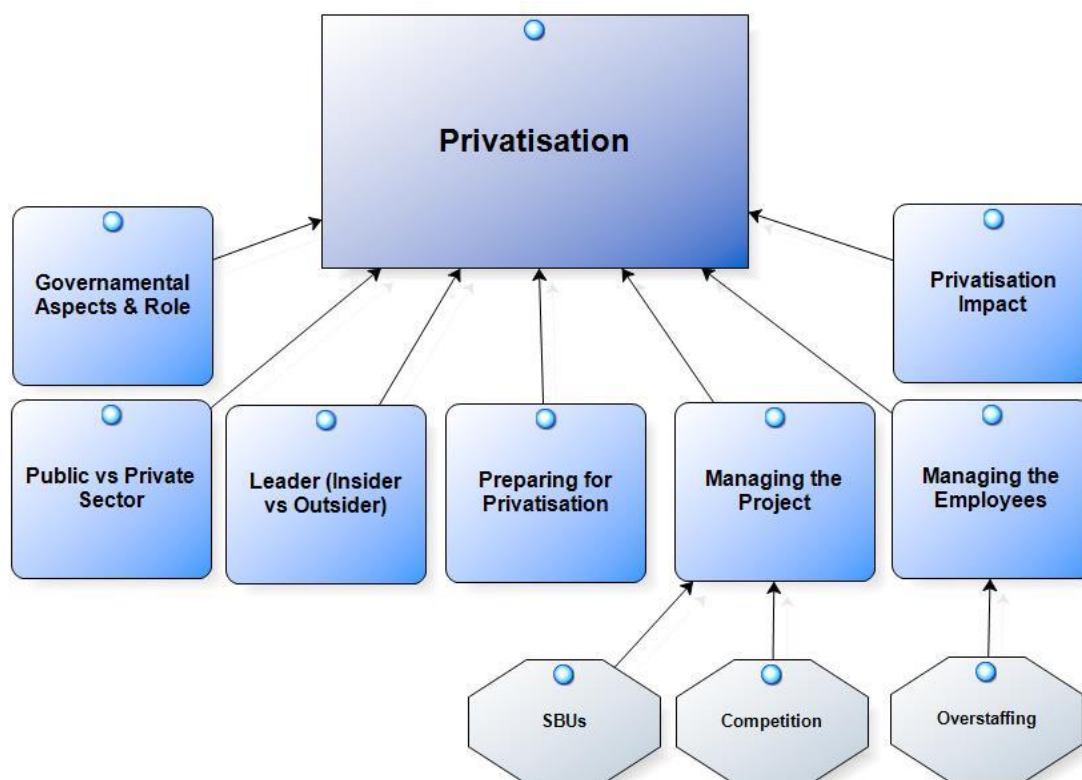


Figure 7.3 Main factors associated with privatisation implementation

7.3.5 Governmental Aspects and Role

The governmental role had been a cornerstone of the existence and operation of Saudia. In fact, this was described by participants as of key significance during operating under both public and private sectors. P 26 (2015) stated that as long as he could remember, the government has been implementing changes focused on certain areas of the Kingdom. For example, the early focus was on education, health care, and infrastructure, then, on “...developing the Kingdom economy and so on until we can now identify privatisation as the focus the government is pursuing” (Vision 2030, 2016). This is consistent with Kostiner and Lucas (2004:132) comment in “...the state-building approach [which] emerges from the assumption that a state is a flexible social institution that changes over time”.

7.3.5.1 Governmental Aspects

P 14 (2015) highlighted that, in the early years of the kingdom, the government knew that the private sector could not establish an airline due to the Kingdom’s economic conditions and lack of ability among existing private merchants. The government role in

undertaking this project is common, as Ayles (1987:130) asserted “governments are often forced to sponsor new ventures in capital-intensive sectors”. Moreover, Nehme (1994:930) stated “...by the end of 1953 Saudi Arabia had no tangible infrastructure”. Moreover, P 22 (2015) pointed out the vast distance between cities and regions within the Kingdom, which necessitated the provision of an appropriate transportation system to serve the people. Environmental conditions, landscape, and roads were in their early phases; thus, flying provided the necessary means to serve and connect the people, whilst also facilitating government’s ability to govern these regions in a timely manner (Nehme, 1994).

The government spared neither time nor effort in developing the Kingdom, particularly after the discovery of oil and increased revenues (Hertog, 2007). Kostiner and Lucas (2004:238) stressed, “...the Gulf states allocated large sums to everything from roads, highways, airports, and railroads, to communications systems and power stations, to the building of governmental ministries and services”.

Nevertheless, the government kept encouraging and stimulating the private sector to play an increased role in the Saudi economy by adopting the privatisation strategy as part of the Sixth development plan (1995-2000) (Ministry of Economy and Planning, 1995).

Accordingly, as P 32 (2015) pointed out that the government arranged for IMF officials to meet with top Saudi officials as part of their plan to privatise Saudi. The IMF officials commented that Saudi was highly organised and well-structured, compared to other Saudi SOEs. Also, at that time, the overall conditions of the country were suitable for the privatisation programme, as the IMF (2006:2) reported: “...privatization of [Saudi] government activities is being advanced steadily and a large number of mega projects in the non-oil sector are being implemented through public-private partnerships”.

Through the development plans, established every five years, the government pursued the development of the Kingdom as it deemed fit while preserving its religion, tradition, and culture (P 11, 2015). The process reflects Kostiner and Lucas (2004:132) claims that “...the process of state-building unfolds in stages: every several decades a new type of state order, or social contract, emerges, focusing on new conceptions of those underpinning aimed at tackling the challenges of a certain period”.

7.3.5.2 Government's Role

Government's role, in relation to the privatisation of Saudia, was pivotal as it provided the thrust and support for the project to go forward, thereby, compensating for the lag experienced previously. The support came in many forms, especially financial and legislative.

The government supported Saudia financially in many ways, including the continued funding of its operation and employees, and funding the purchase of a new fleet and a new ERP system to replace the "legacy" ones (P 23, 2015). Moreover, it provided financial support in approving the GHS that was recommended to help with the overstaffing situation (P 22, 2015). Further, the government subsidised the cost of fuel, which was a major contributor to Saudia's survival (P 32, 2015). In addition, it extended the support of other affiliated agencies, such as GACA, in terms of operating fees and leasing airport facilities (P 6, 2015).

Nevertheless, P 30 (2015) emphasised: "...the government has burdened itself by financing Saudia, where such efforts could be utilised in other social sectors that are of more importance". A similar clash of priorities was suggested by Aylen (1987:125) who noted that "Turkey has an active programme for selling off state firms, starting with its airline, in order to fund social projects such as housing".

Government support also took the form of facilitating and providing the required legislative actions and approvals for both the internal and external aspects of the privatisation project. Internal to Saudia, the government issued many decrees and orders (Table 7.3) that allowed its employees to work in the newly established units on a loan basis, whilst maintaining the same benefits and pay (Saudi Arabian Airlines, 2008).

Table 7.3 Governmental decrees and orders issued pertaining to privatisation

Decree/ Order No; issue date	Key items pertaining to privatisation and Saudia
60; 1/4/1418 H (6/8/1997)	<ul style="list-style-type: none"> - Increase economic efficiency and competition - Motivate private sector participation on the national economy - Increase and stimulate foreign investments - Increase revenues in sectors that are set for privatisation
1/27; 14/2/1427 H (15/3/2006)	<ul style="list-style-type: none"> - Transfer and establishment of SBUs - Approval of the new structure of Saudia
M/70; 15/8/1428 H (29/8/2007)	<ul style="list-style-type: none"> - Allow Saudia to establish trading authorisations for the established SBUs and owned totally by Saudia in preparation for privatisation
248; 23/11/1428H (3/12/2007)	<ul style="list-style-type: none"> - Rules and guidelines of dealing with Saudia employees and approving their loan their perspective SBUs while maintaining their current pay and benefits. - Approval of the GHS and early retirement (Voluntarily) - Complete a ten years strategic plan while employing a consulting company that has the experience and knowledge of the field - Restructure the scheduling and current operations in alliance with commercial operations requirements.

Compiled by the author (Saudi Arabian Airlines, 2008:9-11)

Externally, government directives allowed Saudia to obtain a trading authorisation whilst still being owned by the government (P 2, 2015). Further, it established GACA as the governing body responsible for regulating the commercial aviation sector in Saudi Arabia. This, in turn, issued the regulations and processes that allowed other airlines to operate in Saudi Arabia. Such steps played a fundamental part in the privatisation process as they opened up the market and removed the company's monopolistic power (Vickers & Yarrow, 1991; Yarrow, 1999). Schuster et al. (2013:97) asserted, "liberalization usually begins with the establishment of an independent regulatory agency".

This marked a departure from the situation whereby, as Dana and Vignali (1999:280) stated, "...the transportation industry was traditionally among the most regulated and protected sectors of the economy. For many national flag-carriers, neither competition nor market forces were considerations. Governments set prices, routes, services, etc." As a result of this transformation, "...in 2007, two air carriers [NAS Air and SAMA] were licensed to work alongside the Saudi Arabian Airlines in local and regional markets" (Ministry of Economy and Planning, 2010:609).

Moreover, whereas the previous Saudia DGs held a ministerial position, which provided them with the benefits of the public sector pay scale, the new DG appointed in 2014 was appointed by Saudia's Board of Directors, so he did not have ministerial rank. This, was another indication that the government was empowering the Board of Directors: whilst at the same time signalling their accountability for their decisions. This was in contrast to the past, where the Board of Directors held a more confined figurehead role.

Additionally, the government undertook a major restructuring of many ministerial positions, including accepting the resignation of Prince Fahad Al-Abdullah, who had served as the president of PSA/ GACA for thirty years. So "...in November 2011, several royal resolutions were issued calling for the separation of GACA from the Ministry of Defence and Aviation and directly linking it to the Council of Ministers under the Ministry of Transportation" (Air Command VIP Interview, 2014:n.p). Such directives reinforced the perception of both Saudia employees and the public that the government was moving forward with privatisation and simultaneously reducing bureaucracy.

7.3.6 Public vs Private Sector

In discussing the privatisation process, participants showed a general understanding of the main characteristics of both the public and private sectors. In terms of work and operating conditions, they conveyed that the public sector is more bureaucratic than the private sector, which was attributed to the high level of involvement of top officials and the government (P 1, P 8, P 27, 2015). Also, others (P 7, P 18, P 19, P 32, 2105) acknowledged that the lengthy process and hurdles associated with the decision-making process did not allow the company to make decisions fast enough in reaction to competition and market needs consistent with King (1987). Similar views were offered by numerous scholars (Bozeman and Kingsley, 1998; Farnham and Horton, 1996), as Boyne (2002:101) highlighted "...organizations in the public sector have more formal procedures for decision making, and are less flexible and more risk-averse than their private sector counterparts.

On the other hand, participants expressed feelings that working conditions, in the private sector, are not very appealing as the focus on improvements in performance and productivity levels is not supported by any incentives or motivational mechanisms.

P 7: You see, there is no improvement or gains in terms of pay or benefits, so why should I exert more efforts to improve my productivity or performance levels?

Such views support the Public Choice theory: "...people are motivated primarily by self-interest" (Perry & Wise, 1990:367). Therefore, current employees in Saudia do not perceive any gains from privatisation and are not supportive of it.

Moreover, one of the fundamental issues associated with the transfer from the public to the private sector is the perception among employees that it represents a downgrade. No added benefits, but rather a possible reduction or loss of benefits is expected once the transfer is completed. Bellante and Link (1981:408) reported:

A number of recent studies by Sharon Smith, among others, have compared public sector and private sector pay levels. These studies conclude that government workers on average receive higher pay than workers in the private sector with equivalent human capital.

Table 7.4 illustrates the main differences in employees' benefits between the two sectors. It is asserted that "...fringe benefits are demonstrably more favorable, on average, in all levels of government employment than they are in private employment (ibid, 408-409). Hence, employees would lose their medical, housing, and transport benefits.

However, Royal Decree No. 60 dated 1/4/1418H (5/8/1997) and 70/M dated 15/08/1428H (28/8/2007) directed that Saudia's public employees' pay and benefits were not to be tampered with as a result of privatisation. This came as a relief to less competent employees, as it protected them from being laid off (P 12, 2015). This mandate was crucial to the stability and to minimise the negative effects of privatisation. This is in contrast to other cases throughout the world, as Shirley (1991:S31) reported "...the workforce of British public enterprises was sharply reduced before any sales and increased afterwards. In preparation for the franchising of the Argentinean rail freight system, 90,000 people, one-third of the employees, are being laid off".

On the other hand, these decrees prevented top-level employees from claiming salaries similar to the industry standard, which lowered their morale and motivation towards privatisation.

P 22: I know VPs that hold the same job description and responsibility, yet one that is under public pay scale gets 35,000 SAR a month and the one that was hired under the private pay scale, gets 140,000 SAR a month. How can you ask the former to produce results and improve performance with such huge difference in pay scale?

Table 7.4 Saudia Employee’s Benefits as Public vs Private Sector

<i>Item</i>	<i>Public Sector</i>	<i>Private Sector</i>	
<i>Salaries</i>	<i>Top positions</i>	Low salaries*	High salaries*
	<i>Lower positions</i>	High salaries*	Low salaries*
<i>Holidays</i>	22 days paid per year	10 days paid per year	
<i>Vacation Allowance</i>	30 days minimum and increase by 5 days for every 10 years of service	30 days paid per year	
<i>Housing Allowance</i>	18,000 SAR or 3 monthly salaries whichever is greater	Fixed 3 monthly salaries	
<i>Transportation Allowance</i>	Depends on position (600-1200)	Depends on position (400-1200)	
<i>Medical Insurance</i>	Covers employee, his family and parents	Just for employee and his immediate family	
<i>Ticket benefits</i>	Many options ranging from free to discounted tickets to employee, family, and parents	An agreed amount (voucher) based on position for employee and his immediate family only	
<i>Monthly pension stipend</i>	9% of basic salary only	9% of the total pay excluding transportation allowance	
<i>Minimum years of service to retire</i>	20 years	25 years	
<i>Retirement age</i>	60	No limit	
<i>Bonuses</i>	1 Salary a year (month of Ramadan)	None	
<i>Merit increase</i>	Fixed percentage based on grade (position)	Depends on performance evaluation (2-5%)	
<i>End of Service Bonus</i>	Full salary for each year of service, with a minimum of 20 years of service	Half salary for the first five years, then full salary for each subsequent year of service	
<i>Job Security</i>	Cannot be discharged unless convicted of a crime or being absent from work for 14 consecutive days without valid reason.	Can be discharged with 30 days advance notice.	

* When compared to industry standards.

Compiled by the author

Another significant benefit public employees receive is the number of holidays per year. Under the public sector, employees get 11 days holidays for the end of Ramadan and Eid, plus 11 days for the Hajj holydays, whilst, private sector employees get five days in Ramadan and Eid and another five days for Hajj. P 9 (2015) explains that “this reflects

tremendously on us in terms of days off and at the same time the overtime pay we get if we chose to work during the holy days”.

P 11: Let me tell you, I get almost an extra month’s salary [from overtime] when I work during the holidays. So two holidays, that is two month’s extra pay a year. But our friends [private sector employees] get one month’s pay extra for working both holidays.

Moreover, many studies reported that job security was found to be a motivation for public employees (Buelens & Van den Broeck, 2007). This is a major problem facing the public sector in Saudi Arabia in general and Saudia in particular, as the company suffers from overstaffing, yet cannot discharge low performing individuals, as they are protected by law. Many officials reported that this burdened the organisation financially and at the same time limited its ability to acquire new talents (P 7, P 24, P 32, 2015).

Thus, transferring to the private sector presented a huge threat to public employees due to issues related to job security, as private sector employees work under contractual agreements, which can be revoked at the end of the term of the contract and sometimes before, subject to advance notice of a specific period (usually 30 days) set in the contract. Therefore, employees are under constant pressure and fear of being dismissed due to unsatisfactory performance, or sometimes to external forces such as competition or global economic conditions. Such views correspond with Bellante and Link (1981:408) who emphasised that “...evidence suggests that stability of employment is greater in the public sector than in the private sector”.

7.3.7 Leaders (Insider vs Outsider)

Appointment of a new DG to Saudia met with divided views from participants. For instance, top-level participants supported the appointment of an insider to lead Saudia, on the rationale that an insider knows the organisation’s operation, culture, regulations, and most importantly the people, whom he can trust and rely upon.

P 28: As the new DG started his work and saw the need to make changes in the leading position, he could not know whom to select as he is an outsider and does not know who is good to hold the position that he has in mind.

This perceived importance of knowledge and access to information confirms to Schattschneider (1963:166) point that articulated “...the contrast is between ‘insider’ who knew very much and an ‘outsider’ who knew very little”.

However, employees from lower levels of the organisation favoured an outsider, as they believed that he would not have relationships with current executives, and so would be free him to focus on the work and not be driven by favouritism or pressure from long-term friends. Such views pertain to the cultural aspect of *Wasta* that is commonly practised in Saudi Arabia (see 7.4.4.2(A)).

Lower level employees' views support Maloney et al. (1994:19), who explained that literature shows "...certain groups [executives in our case] had a privileged position in the policymaking process", which could be geared towards serving their own interests. Consequently, it can be argued that the dispute between the top and lower level employees alludes to an ethical conflict of interest: the top level have gained trust among themselves by knowing one another, and building relationships. Thus, if the government selected an insider as DG, he would be a member of the existing group, with whom he had worked and established strong relationships. On the other hand, lower level employees see such established relationships as blocking and limiting their career progression, and thereby, the possibility of increasing their gains (Grant, 1989).

Further, lower level employees argued that because current executives had been working for many years under the public sector, they would not be able to adapt to the new way of managing the organisation as a private company.

P 19: Do not tell me that a person that has been making decisions based on social welfare, now all of a sudden, will start making decisions based on profitability and competition.

This argument echoes Dalton and Kesner (1985:751) suggestion that "...poorly performing companies may well choose outside successors to institute change; organizations with acceptable or better performance may be inclined instead to choose insiders who presumably will adopt maintenance strategies".

7.3.8 Preparing for Privatisation

P 5 (2015) highlighted that initially in 1946 the government was in a race towards establishing a reputation of its capabilities among other nations, in particular within MENA countries, consistent with Dana and Vignali (1999:280) observation that "...for some, an airline was an instrument of national prestige more than a commercial entity". For instance, Saudia built its repair shops and hangars to demonstrate its capability to

perform different functions along with being dependent upon itself and its people operating and managing the airline (P 16, 2015).

P 32: As an SOE, Saudia was considered far more advanced than other SOEs due to its kind of operation and associated pay and benefits that we [employees] get. Saudia was viewed as the most prestigious organisation that everybody wanted to work in.

Despite the advances that the airline had made, there were many issues that were hindering its privatisation, which required to be resolved. For example, low productivity, legislative, and the availability and use of information that would allow private investors to make informed decisions (Ministry of Economy and Planning, 2000).

According to P 8 (2015) "...our knowledge and experience with privatisation was limited. After all, the privatisation of Saudia was the second major project in the Kingdom after STC". Such limited experience was considered to be the drive for the government's decision to appoint a new DG for Saudia, Eng. Khaled Almulhim, the same person who had led the privatisation of STC (P 16, 2015). Similar problems of limited knowledge and experience of privatisation have been reported by other nations, as Wiltshire (1987:30) stated: in the early days of the UK experience with privatisation "...skills for it [privatisation] did not previously exist and had to be built inside and outside government". Consequently, in the case of Saudi Arabia, the government sought consultations with other international groups to gain knowledge and experience from other parts of the world (P 32, 2015).

The initial preparation efforts focused on getting advice and preparing the company at a higher governmental level (Saudi-Embassy, 2000). The first steps taken were consulting different groups in regard to the financial and legal aspect of privatisation. Such efforts were aimed at improving Saudia's profile and making it more appealing to investors (Ministry of Economy and Planning, 2016:35).

As a result, recommendations highlighted that existing conditions would not attract new investors, so Saudia was advised to update its fleet by the purchase of new aircraft and incorporate a new image. Thus, the fleet was modernised whilst at the same time a new logo and image was created to mark a fresh new start for the company launched on 16 July 2016 (Saudia Airlines, 2017b). Similar steps were made in the privatisation of BA, as reported by Dana and Vignali (1999:285): "...on June 10, 1997, British Airways

unveiled the massive re-branding exercise. An amount of £60 million was allocated to acquiring a new image for the airline”. Furthermore, Saudia took measures to reduce and control its expenditure by providing services to other operators, thereby, creating revenue, and a new venture that the company had never pursued before. According to Saudia’s DG at that time, Dr Bin Bakr, privatising Saudia was complex and critical due to its link with the economy of the Kingdom and the welfare of its nationals. Hence, it required careful and calculated steps (Asharq Al-awsat, 2004).

Yet, less visible changes occurred during the period from 1994-2006 as most actions were taken at the highest level of the organisation, so had minimal effect on the organisation’s objectives, operation, and culture. Further, steps linked to reducing operating costs were taken by the elimination of the EVP layer of the organisation structure (P 2, 2015).

P 19: I can say that it was part of the plan to eliminate the EVP’s positions and change the organisational structure from vertical to a more horizontal one. People did not like the DG for such actions as they felt that he was preventing them from progressing in their careers. Yet, it was necessary to minimize costs and at the same time, it was part of the privatisation restructuring process, but not many knew that.

Consequently, due to lack of information and communications, these actions were perceived as the way the DG was managing the company, rather than part of the preparation for privatisation (P 7, P10, P 21, P 30, 2015).

However, the preparation for privatisation progressed with unprecedented speed, when compared to the period from 2000-2006, with the appointment of Eng. Almulhim in 2006 (P 26, 2015). P 32 (2015) stated that the new DG was very motivated and energised. Thus, he initiated several changes that accelerated the project as he looked into each proposed SBU and started with the most appropriate one to privatise. According to Shaikh (2006:n.p), Saudia’s DG said: “...we are very much convinced that the faster we head in the privatisation process the faster each sector will grow”. Consequently, he approached the affiliated agencies and government in order to speed up the legislative and de-regulation process. During his interview with *Khaleej Times*, he stated, “...we are keen on the participation of the Saudi private sector. Because of this we approached all Chambers of Commerce and Industry in the Kingdom” (ibid, n.p).

Moreover, the DG took a new approach that had not been exercised previously, which was open communication (P 2, 2015). For example, the DG directed the HRM department to prepare and issue a pamphlet “*Employees’ Guide to Privatisation 1429 H – 2008 G*” (Figure 7.4).

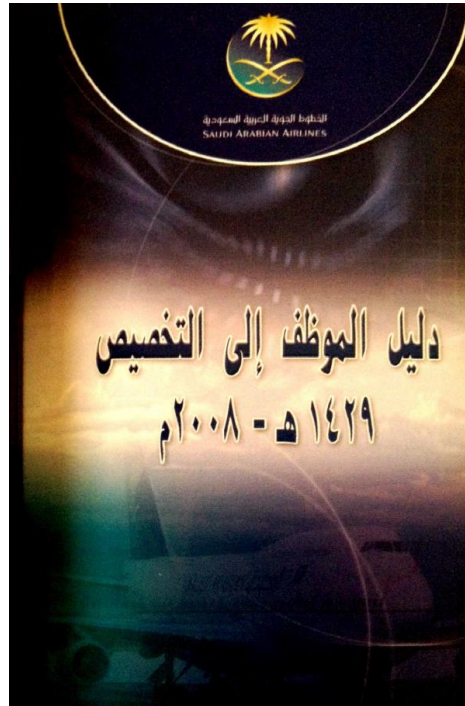


Figure 7.4 Pamphlet issued by Saudia “Employees’ Guide to Privatisation 1429 H – 2008 G”

This pamphlet gave general information about the Kingdom’s privatisation programme, approval of Saudia’s privatisation, the establishment of the SBUs, guides on employees’ conditions and how they would be transferred to the newly established units, options for employees to choose from based on their years of service in the company, execution mechanisms, related Royal decrees, and answers to frequently asked questions. The pamphlet was distributed throughout the organisation, so all employees became aware of the situation (P 18, 2015).

P 3: I can tell you that when we got the book [pamphlet], we were very surprised as we had never known anything that was going on. We only heard rumours and scattered news from different sources, but not as clear as this.

This approach of disseminating information was appreciated and valued by all employees throughout the organisation, which gave the new DG huge credibility and popularity throughout the organisation (P 9, 2015). The impact and significance of this

approach were magnified due to the established cultural orientation held by most Arab countries, with collectivistic, and hierarchical features that make individuals of lower ranks expect and accept to be guided by their superiors (Lipsky, 1959; Hofstede, 2001; Weir, 2001; Dedoussis, 2004). As a result “...people depend heavily on the external environment, situation, and non-verbal behaviour in creating and interpreting communications and one needs to be able to read between the lines and interpret covert clues as much meaning is conveyed indirectly” (Dedoussis, 2004:19).

7.3.9 Managing the Project

The findings identified that, throughout the project, information was not disseminated in a clear form, so some respondents struggled to make sense of the decisions and actions taken based upon the information that had been made available to them, as it allowed different interpretations and speculations (P 5, 2015). This is in contrast to, for example, the privatisation of BA, where, as Dana and Vignali (1999:286) reported, a dedicated team was made “...responsible [for] communications with consumers, employees, policy makers and shareholders”.

Different leaders came from different backgrounds, which were reflected in the directions and goals the company pursued. Participants articulated that each of the last four DGs had fulfilled a different role in regard to managing the organisation. For example,

P 23: The first one [DG] was an insider, and he was concerned about the people and made decisions towards improving and increasing the gains of the people that worked in the company, so people loved him. Then, the following one came from an academic background and did things by the book, the mission statement, vision, goals and objectives.

The third DG “was very good at the operations side as the company took off to a brighter future and gave the privatisation project good momentum” (P 11, 2015). Also, P 19 (2015) said, “I think Eng. Almulhim [the third DG], was the best for the privatisation project, yet he was consumed by the operational side and walked away before completing the project”. Finally, the fourth DG, according to P 4 (2015), was “a financial officer”, while P 27 (2015) recalled, “My impression of him, in my first meeting with him, he talks numbers and looks at numbers”.

Such opinions were parallel to "...the managerial cognition view [which] has focused on the role of cognition in determining strategic actions within a single industry, giving little attention to the nature of that industry ... [as] top managers develop subjective representations of the environment that, in turn, drive their strategic decisions and subsequent firm action" (Nadkarni & Barr, 2008:1395).

Looking at each leader separately, from the managerial cognition perspective suggests that the first DG, Captain Ahmed Mattar, who was a pilot in Saudia until promoted to be the leader of Saudia understood the areas that employees struggled with. Being an insider allowed him to gain the trust and support of employees throughout the company. As stated by many participants (such as P 1, P 7, P 13, P 22, P 25, and P 26) this DG increased employees' gains, which in turn made him the most admired and loved leader. However, privatisation as a strategy was not demanded of him or even part of the direction in which the company was heading, as he led the company in the period of 1979 – 1994. Consequently, it would not be possible to evaluate his decisions with regard to the privatisation project.

On the other hand, the second DG, Dr Bin Bakr, led Saudia during the period of 1994-2006 in which privatisation was a primary goal. Nonetheless, he faced many challenges that led him to take very tough decisions (P 32, 2015). He was the first outsider to lead Saudia. This proved to be a barrier with top executives who had been part of the organisation for a long time. Hence, comparable to the arguments of Chung et al. (1987:329) "...existing power structures" held by top executives vigorously resisted the appointment of an outsider, due to fears for their job security or the authority they had exercised over the years. Further, the Kingdom had gone through two wars, which influenced both the internal and external conditions under which the airline operated. This imposed huge burdens in reducing running costs against the will and desire of the people, whilst working towards preparing the company for privatisation.

The third DG, Eng. Almulhim was appointed when the Kingdom had revived and prospered due to high oil prices, thereby allowing the Kingdom to move forward aggressively (Enders & Williams, 2008). In addition, unlike all other leaders, he had previous experience with the privatisation, which gave him much advantage and credibility when directing top executives (P 32, 2015). According to the DG, in an interview by *Khaleej Times* (2006):

The plan [for the privatisation project] will take about 18 months for completion... There are four stages to be followed. The airline is now in the third of the four stages — choosing consultants, preparing studies, restructuring of non-core businesses to become profitable units, to be part of the mother Company, and privatising the mother company by determining the percentage of shares for floatation and completing procedure for [IPO].

Nevertheless, it has been suggested that he was consumed by the operational side of the company as he initially focused totally on the privatisation project. However, as time progressed the operational side started to affect the privatisation process, so he was immersed in it in his final years, resulting in not much progress being made (P 21, 2015).

The fourth DG, Eng. Al-Jasser was appointed in 2014, at a time when the challenges had accumulated and the result of opening the market to competition put Saudia in a position where it needed to compete for survival. Participants (P12, P 23, P 28, 2015) attributed most decisions taken by is DG to his financial background. They claim that he started managing the company looking at the operational side, with no comments or communications in regard to the privatisation project (P 23, P 27, 2015). Furthermore, since taking office in 2014, no unit or entity has been privatised. In fact, one of the units that were sold previously (SAEI) had revoked the sale agreement and all shares were transferred back to the government (Raghdah, 2016).

The review of the three leaders who had led Saudia since the start of the privatisation project reflects the different perspectives used in managing the organisation. However, it should be noted that the aim of such a review is not to criticise or evaluate the appropriateness of the adopted approach, but rather to show that individuals' cognition (i.e. their set of beliefs, experience, and knowledge) played a crucial role in the way they reacted and took decisions. According to Dutton and Duncan (1987:279) "...a major reason organizations respond differently to changes in the environment involves how strategic issues are triggered and interpreted by decision-makers". Moreover, it has been suggested that top managers, based upon their own interpretation and sense-making processes, would take actions as events unfold, rather than following a pre-set action (Daft & Weick, 1984).

Thus, it could be suggested that all three leaders coming from outside of the organisation might have less knowledge about internal processes, culture and environment, which contributed to the interpretation and decision-making process. At

the same time, however, being an outsider could bring in new perspectives and opinions in looking at the way in which Saudia was operating.

In the period of 2006 -2014, most decisions taken by Saudia leaders were associated with the formation of the SBUs as indicated by research participants.

7.3.9.1 Strategic Business Units (SBUs)

Saudia had grown towards its independence; as previously highlighted, the approach taken by the government was to make Saudia totally independent and capable of conducting its own operational requirements. Consequently, Saudia had its commercial fleet, cargo fleet, VIP special flights, medical, technical and ground services, IT, press and printing services, and other divisions. Similarly, it owned significant estates, buildings, and complexes nationally and internationally (Shaikh, 2006). Such a situation was common throughout the world, for example, similar conditions were reported during the privatisation of BA. As it developed, it became a more “self-serving organization rather than reacting to the demands of the market-place” (King, 1987:19).

P 9 (2015) highlighted “...profitability was difficult to achieve as some units were making money while others not. So only total revenues were reported about the company as a whole”. With such complex organisation, it was difficult to be profitable and to be able to sell Saudia in its entirety, because finding an investor who would be interested in all its functions seemed to be difficult, if not impossible. Therefore, to be able to privatise Saudia, consultants recommended that the company be split into several SBUs (P 18, 2015) before preparing each one for sale, as the problems and context of each unit differed (P 27, 20105). According to Saudia DG, Eng. Almulhim, in an interview with *Khaleej Times*, in 2006,

Do you believe an organisation the size of Saudia provides mail service to its huge staff? It also serves as a medical service provider to its staff, a matter that disrupts its efforts, wastes its time in trivial things, which have nothing to do with the industry. We are supposed to concentrate on sales, passenger service, and marketing" (Shaikh, 2006:n.p).

Such comments allude to the wide range of functions that Saudia had developed into throughout the year, thereby contributing to losing focus, as it grew beyond its core function. However, similar cases of company expansion and growth are reported by King (1987), when he took control of BA: the company held “...many resources in buildings, investments and aircraft were surplus to requirements. Two hundred million

pounds was raised by disposing of these assets, including one million square feet of offices in London and 80 aircraft”.

The initial implementation steps focused mainly upon splitting the company into several SBUs. Accordingly, ten business units within Saudia were believed to be feasible for privatisation (Table 1.2). Nonetheless, many preparatory steps, both internally and externally, were required prior to selling these new SBUs.

(A) Internal Preparation

It was intended that each unit to be separated and should be able to perform and operate independently. This splitting began with the reorganisation of supporting functions that were centralised, such as HRM, finance, marketing, IT, legal, and administration. Thus, employees from these centralised functions were distributed among various SBUs, allowing each unit to undertake its decisions independently (P 24, 2015). This was considered to be one of the most positive outcomes of the privatisation process, as P 27 (2015) stated: “... one of the best things about dividing the units was allowing each unit to manage itself. Thus, each unit can look into its gains and needs and not the collective group like it was in the past”. Equally, according to P 4 (2015)

You know, we bought an IT system because it covered 80% of the tasks that the organisation was doing, but the missing 20% were affecting one particular SBU, which suffered from the system. Thus, the separation allowed that unit to buy the system that was suitable for its operation.

Presented examples reflect some of the challenges that SOEs encounter as decisions made are based on collective views most of the time, i.e. what is best for the entire organisation, not the division and what would be needed long term. This is similar to what other countries experienced. For instance, in the case of the privatisation of BA in the UK, King (1987:20) criticised the situation by stating

It cannot be right, for instance, that British Airways, whilst it was government owned, should have been delayed in getting permission to buy aircraft which it would prove it needed to further its business. The Transport Ministry may agree, but the Treasury may not, and therein lies the rub.

This statement reflects the complexity of the process that SOEs endure to finalise the processes needed for taking decisions and approval in regard to their operation, which

directly links to the Principal-Agent theory, as reflected by the levels and flow of information within the public and private models (Figure 2.3).

Moreover, the separation allowed each SBU to develop its marketing strategy independently, whilst, previously, a centralised marketing department was tasked with this function. This did not provide the required attention to utilising the full view of all possible potential areas within the airline. According to P 27 (2015), this was attributed to a lack of specialised skills and knowledge among the marketing personnel. Hence, marketing was mainly focused on travellers, while the technical services and medical services were equipped with state of the art equipment that could be marketed to other operators in the region, thereby allowing for more profits to be generated (P 11, 2015). This coincides with the views of Ayles (1987:137):

A true measure of the success of privatization in developing countries will not be the number of firms transferred from state ownership, but improved allocation of resources reflected in higher growth rates, higher returns on capital projects and reduced public sector deficits.

Thus, freeing SBUs to make decisions facilitated the optimum utilisation of resources and at the same time, focused on the core objectives and goals of each unit independently.

(B) External Preparation

External preparation was associated with the legalisation of the establishment of these SBUs, thereby allowing them to operate under private sector regulations. SOEs that are owned by the government do not operate under the rules that are set by the Ministry of Commerce and Investment, which is considered to be the regulatory body for the private sector.

In the case of Saudia, as a public enterprise, to operate under the private sector, the ownership of the company had to be changed and put under the name of individuals or private companies, public/ government (Ministry of Commerce and Investment, 2015). However, such issues were problematic in the sense that it was not possible to sell an organisation that was not profitable and did not have the permits required to operate under the private sector (P 24, 2015). This was the most challenging issue externally, due to the number of inter-related agencies that were required to provide such permits. Ultimately, as current rules were in conflict with the ownership status of Saudia: the

solution required the government to issue an order that allowed organisations undergoing privatisation to apply for commercial trading permits whilst all their shares were still owned by the government (P 32, 2015). Through this resolution, Saudia was able to establish the SBUs, register them in the private sector, and obtain a commercial trading permit. Table 7.5 details the SBUs that obtained a trading permit, their new trading name, and the year in which they were established.

Table 7.5 SBUs Establishment Information

SBUs	Trading Name	Establish Date
Saudia Catering	Saudi Airlines Catering Company	2008*
Ground Services	Saudi Ground Services Company	2008*
Saudia Cargo	Saudia Cargo Company	2008**
Saudia Technical Services	Saudia Aerospace Engineering Industries	2009***
Saudia Special Flights	Saudia Private Aviation	2009***

Compiled by the author (Saudi Stock Exchange 'Tadawul', ** Bloomberg, *** SBU's Website)*

Accordingly, the government took account of the progress made in the privatisation of Saudia as highlighted in the 9th development plan (Ministry of Economy and Planning, 2010:607): "...in preparation for full privatization, several units of Saudi Arabian Airlines, such as catering and cargo services, were privatized".

7.3.9.2 Competition

Another aspect that came as a result of the privatisation of Saudia was opening up the market for competition (GACA, 2016). The government realised that opening up the market for other competitors to operate was fundamental to achieving their full objectives of the adopted privatisation strategy (Ministry of Economy and Planning, 1995; 2000; 2005; 2010). Competition played a significant role in the implementation of the privatisation of Saudia because the link between the privatisation and opening up the market was fundamental. Marsh (1991:464) reported: "...most academic economists argue that the success of privatization should be judged largely, if not exclusively, in terms of any improvements in efficiency and competition made as a result of privatization".

As highlighted earlier, in 2006, Saudia started its aggressive steps towards privatisation. Nevertheless, within a year, a rival to Saudia NAS Air started its operation in February 2007, followed by SAMA Air in May 2007 (Ministry of Economy and Planning, 2012). The opening up of the market put Saudia under considerable pressure, forcing it to shift from being a reactive organisation to a proactive one (Pitt, 1990). Saudia had to face the challenges associated with losing market share, and rapid employee turnover, which influenced the views of the investors that Saudia was trying to attract (P 24, 2015). The new operators launched strong competitive campaigns as their operating costs were not as high as Saudia's. Moreover, unlike Saudia, they did not suffer from overstaffing problems (P13, 2015). Such difficulties led Saudia to seek short term gains and profits due to increased market pressures (Pitt, 1990).

Further, P 8 (2015) expressed

Privatisation put us [Saudia] face to face with new operators, which we never faced before. So, we needed to learn to be more customer oriented and realise that people [customers] can now choose between us and other service providers.

In addition, employees had to utilise resources more effectively and learn how decisions affected the operation, not in terms of quality and safety only, but in terms of cost, which "...was new to us" (P 14, 2015). These two comments touch the core concepts of opening up the market. The first one underpins the focus on being customer oriented, i.e. associated with providing better services and products for the customers, which were a fundamental objective of privatisation (Veljanovski, 1988) as shown in many cases, such as in the UK (Miller, 1994). The second comment alludes to internal processes within Saudia in regard to optimum utilisation of resources, as highlighted by Van Brabanti (1995), which rests on the theoretical foundation of Property Rights theory in terms of allocative efficiency, as organisations will focus on optimum utilisation of resources towards serving owners' (citizens') objectives.

Moreover, both concepts of allocative efficiency and providing better services and products are emphasised by the teachings of Islam as narrated in a Hadeeth of Prophet Mohammed (PBUH) when he said, "Allah loves those who, when doing their work, they do it to perfection". In addition, God said in the *Qur'an* "Surely He [God] does not love the extravagant" (Al-A'raf, 8:31). Repentance from over-spending and improper usage of resources have been reported in many Islamic sources. Therefore, it has been highlighted that people used to plead: "O Allah! I seek refuge in You against the

declining of Your Favours” (Muslim, Book 17, Hadith 14). Favours here reflects the notion that everything belongs to Allah and that we should ask Allah to maintain his favours upon us.

Whilst participants demonstrated an understanding of the impact of competition, they emphasised that the organisational culture and the processes had not been modified to facilitate the concept of customer orientation. For instance,

P 28: Until now, after the sale of the unit more than three years ago, people still do not consider us as customers. Yes, we were one company, but now we are units that provide services to each other. When we hold a business meeting to discuss the prices and contracts, they get mad and they keep saying, we are one team, we should not bring financial issues between us. I reply, so what is the purpose of the meeting then?

Nevertheless, looking at a similar context, Parker (1993:48) reported that in the privatisation of BA, one of the early actions initiated by new CEO (Lord John King) was launching an “...intensive, consumer oriented training programmes and the corporation was restructured into product-based profit centres” for all BA’s staff. Public sector employees are reportedly inclined to serve, rather than pursuing commercial gains, as Boyne (2002:102) states: “...it has been argued that managers in public agencies have a stronger desire to *serve the public*. This concern to promote public interest has been contrasted with the desire of private firms to meet the demands of individual customers. Nevertheless, in the case of Saudia, the data demonstrated that no action was taken either to embed the new concept of customer orientation or to hire new-recruits who held such views, as highlighted by the statement from P 28 (2015) above.

In terms of utilising resources efficiently, a review of the literature showed that one of the main criticisms of public enterprises was the improper use of public funding and resources (Vickers & Yarrow, 1988; Jackson & Price, 1994). In the case of Saudia, participants indicated that certain forms of accountability were implemented, as P 18 (2015) stated:

Privatisation led us to establish a new unit; strategic planning. We now look at the impact and consequences of our decisions. We have a budget that is approved by the board and we make our plans accordingly. This was never done before.

Despite such new steps, some participants still believed that establishing this unit was not enough, because people within this unit had been working under the public sector for a long time; therefore, it would not be possible for them to change. As P 19 (2015) argued, "...do not tell me that a person that has been making decisions based on social welfare, now all of a sudden, will start making decisions based on profitability and competition".

Islam emphasises on the accountability of people, Prophet Mohammed (PBUH) said: "all of you are guardians and are responsible for your subjects". Equally, there are many verses in the *Qur'an* that emphasise the accountability of people for their decisions, actions, and spoken words.

The Qur'an says:

Those who are faithfully true to their *Amanât* (all the duties which Allâh has ordained, honesty, moral responsibility and trusts etc.) and to their covenants (Al-Muminun, 18:8).

However, as such accountability relies very much upon individual understanding and ability to make decisions, judging it becomes extremely difficult, particularly in the setting of SOEs, due to their holding multiple, vague objectives (Nutt & Backoff, 1993; Boyne, 2002).

Nevertheless, it is essential to highlight that Saudia's competitive position remained, as Saudia continued to enjoy many subsidies and the ability to operate internationally, whereas new entrants were only permitted to operate domestically and locally, to begin with, which gave Saudia an advantage over its rivals (P 27, 2015). Such support had commonly been exercised by different governments as argued by Veljanovski (1988; cited in Marsh, 1991:467) "...it was extremely difficult for the government not to take account of the demands of the putative privatized company's management, given that it needed their co-operation". Governments, in turn, tend to ascribe the success of their privatisation programmes, to such support as they had to work towards making privatised firms attractive to investors (Marsh, 1991).

7.3.10 Managing Employees

In managing the employees, privatisation accentuated the fundamental issue of overstaffing, which was common within SOEs. Nombela (2001:1) stressed, "...one

common problem regarding public firms' productive efficiency is the usual existence of an excess of employees. This fact is observed across countries and across very diverse industries where public firms operate". In the case of Saudia, according to the DG, Eng. Almulhim, "...overstaffing is one of the most problematic issues in the privatisation process" (Gulf News; Senior Country Editor, 2006:n.p). Similarly, in the privatisation of BA, King (1987:19) stated, "...on the staff side it was well known that we were vastly over-manned. There was no possibility that carrying such a weight of numbers the airline could be properly competitive in the outside world". Thus, the next section will discuss this issue.

7.3.10.1 *Overstaffing*

Similar to other SOEs, Saudia had its share of being utilised to employ Saudi nationals. The issue of overstaffing, within the Saudi context, is therefore complex due to three main challenges as underlined by participants.

First, participants alluded to the limited ability of the organisation to discharge those redundant employees, who displayed a lack of required abilities and competences (P 21 and P 30, 2015). The rules of the Ministry of Civil Service (2017:7) explicitly state that public employees can be discharged or dismissed from services under one of eight conditions:

1. Resignation
2. Early retirement before reaching the retirement age
3. The abolition of the position
4. Reaching the age of retirement
5. Health conditions that prevent the person from performing his or her job
6. Unauthorised absence or refusing a job transfer
7. Dismissal for disciplinary reasons
8. Dismissal based on a Royal decree or Council of Ministries.

Thus, lack of competencies or abilities and other performance measures are not a valid justification for dismissing employees, which is the main difficulty that public firms in

general, and Saudia in particular, face when dealing with low performing and insufficiently competent employees.

Second, participants argued that once the company is privatised, working conditions will be less favourable to them and benefits will be reduced (P 30, 2015). Thus, employees, by default, will be prone to resist the transfer to the private sector. This is primarily due to the differences in existing pension systems governing the public and private sectors; PPA for public employees and GOSI for private sector employees. Saudia employees favoured the PPA's benefits for the differences summarised in Table 7.4. Such views of employees opposing change have been reported by many scholars (Coch & French, 1948; Tichy, 1983; Zaltman & Duncan, 1977; Zander, 1950), because as Oreg (2003:680) stressed "...the benefits to the organization are not necessarily consonant with - and are often antithetical to - the interests of the individuals being asked to make the change". Additionally, the benefits offered to individuals are directly linked to the Principal-Agent model because the private sector allows owners to encourage their agents (managers) to work towards maximising their gains. Nevertheless, in a similar manner, agents will work towards reducing operating costs and expenses in an effort to maximise the profits for the owners, which in turn will impact upon employees' gains.

Third, the redundancy of employees is not evenly distributed throughout the organisation, e.g. overstaffing in administrative functions and a shortage in technical positions, such as pilots, operational and technical staff (P 27, 2015). Thus, with the expansion of Saudia's operations, acquiring a new fleet, and opening new destinations, Saudia would need to hire new qualified employees to operate the new aeroplanes, whilst at the same time keep paying redundant employees, who hold administrative positions (P 1, 2015). P 17 (2015) stated that over the years, the number of employees had grown to reach more than 24,000, which was attributed to numerous reasons, such as pressures on governments to reduce unemployment rates and the compounded meddling and interference of politicians on SOEs (Nombela, 2001).

Nonetheless, as the Saudi government was concerned with the social welfare of its people, the decision was taken not to harm the employees in any way (P11, 2015). Consequently, the government took two steps in tackling the overstaffing issue: the first was to allow people to apply voluntarily for early retirement through the GHS. This allowed Saudia to address its overstaffing problem, whilst at the same time, employees

benefited financially when they left. This approach was welcomed by the employees, so Saudia officials saw it as a ‘win/win’ situation (P 21, 2015). Consequently, the GHS strategy was approved by the government as an effective tool to facilitate downsizing Saudia (P 32, 2015). Further details about the GHS will be presented later on (see 7.4.2.2(A)).

The second step was to maintain its support to the employees through issuing a mandate that employees’ salaries and benefits were not to be tampered with and no layoffs were permitted (Saudi Arabian Airlines, 2008). The instructions were that all Saudia employees would keep their pay and benefits, even after the sale of their units. Although this decision resulted in reducing employees’ resistance to change by maintaining job security, nevertheless, the same mandate hindered the units’ ability to motivate employees into improving their performances as they had no control over the employees and their performance (P 24, 2015). Thus, even though the units had been privatised, they inherited some of the characteristics associated with the public sector, thereby, restricting the benefits of privatisation: “...(freedom and power to manage their subordinates)” (Boyne, 2002:102). Further details will be addressed later under the third pillar: Employees and their views and reaction to the impact of this resolution (7.5).

7.3.11 Other Impacts of Privatisation on Saudia

Participants signified that privatisation additionally impacted Saudia in two main ways; (a) its operation as it was mandated to modernise its fleet, infrastructure, and systems in order to be able to compete with newly introduced rivals, and (b) its internal processes and culture, which were the most challenging and difficult aspect to deal with.

P 13: Privatisation has put us in an awkward position. In areas where the directors are motivated and believe in privatisation, we see ourselves focusing our attention on competition, market share, and other stuff. Yet, in other areas where directors still hold a public sector mentality, things are relaxed and nobody feels a change or an impact on work processes. Thus, some would say it affected our way of doing things and others would disagree with that.

The Saudia IT systems were called “Legacy Systems” due to their age as they have been utilised by the organisation for decades. Not only they were outdated, but also, functions were called Stand-Alone, meaning that a separate system was used for each function within the airline (P 32, 2015). For instance, HRM used their own system in regard to managing personnel’s background information, pay-role, attendance, training,

and other functions. Finance uses its own system for accounts payable and receivable. Marketing uses its own system for ticketing and sales. Technical services uses its system for maintenance, flight operations uses its own system for scheduling and flight coordination, and so on. Such antiquated systems led to losing an enormous amount of time accessing information or uploading data into each system separately (P 24, 2015). Moreover, it also led to wasting valuable time and efforts in making informed decisions due to delays in gathering information from different systems (P 9, 2015).

The reported operational issues reflect the views and decision-making aspects that were associated with SOEs: collective view, coupled with the lengthy decision-making process, whereby, Boyne (2002:101) suggested, "...managers in public organizations have less freedom to react as they see fit to the circumstances that they face". In the private sector, in contrast, the situation is quite different as King (1987:20) highlighted: "...by being in the private sector the equipment we want can be bought at the time it is needed and the government and the taxpayer are freed from their responsibility of funding". Such complex situations led the DG, Eng. Almulhim, to take the decision to upgrade and initiate the process of replacing Legacy Systems with a modern, coherent system, thereby solving the presented problems and allowing for better integration and communication among the different functions and systems (P 22, 2015).

Furthermore, the fleet was outdated, and so required updating, as the main operating cost for any airline would be the aeroplanes. Thus, it would be very challenging to attract an investor for an airline that required a new fleet, as this would impose huge start-up costs. Therefore, a new fleet was negotiated and ordered, including the latest and most modern aeroplanes on the market (P 18, 2015). However, most participants highlighted that these changes were dependent on financial conditions with an ability to acquire such extensive upgrades, as the government had fully supported, and facilitated, the privatisation process (P 31, 2015). Hence, funding and approval of such decisions took extensive efforts and time (P 32, 2015); as reported in 2014, "[Saudia] has secured a loan worth 7 billion riyals (\$1.9 billion) from a consortium of banks to fund its plane deliveries and growth plans, the company's director-general said" (Reuters, 2014:n.p).

P 24 (2015) highlighted another privatisation effect associated with the impact of having incompetent employees. This was less evident in the past, because performance reflected collective efforts, as no performance measures were used while Saudia was operating as an SOE. However, with privatisation, now, if three or four incompetent

employees were put in one department, poor performance quickly becomes evident and was reflected in the department's results. This issue led managers to object to the transfer of less competent employees into their departments unless they were forced to accept it, or such employees were already part of the department prior to the start of the privatisation project (P22, 2015).

PART II

7.4 The Change Process

The second aim of the research focuses on the dramatic change that was imposed by the privatisation project on Saudia, in terms of the change approach, how it progressed with time and the outcomes of the change initiatives and the interactions within Saudia to the change. As the project commenced more than ten years ago, many factors (both internal and external) have changed, which influenced the transformation process, adding to the importance of utilising the procedural approach, in order to investigate how the change evolved.

Although external factors are considered beyond the scope of this research, yet, it is worth highlighting some of them because of their importance and direct impact upon the change process, for example, the two Gulf wars, the death of two Kings of Saudi Arabia during this period - King Fahd (2005) and King Abdullah (2015); the crowning of King Salman; the rise and later the fall of global oil prices, and finally the embarkation of Saudi Vision 2030, which constitutes a complete reformation of the Saudi economy. Such highlighted events have affected the privatisation project and the change process over the years, as they affected the government's attention and ability to support the project.

However, analysing the change process that Saudia had undergone, radical changes were anticipated, as the company's director, Eng. Al-Jasser said, "Change is essential" for Saudia's future (Abdul Ghafour, 2015:n.p). Even so, the company had to endure changes to central core aspects due to the duration of its operation under the public sector (60 years). As Newman and Nollen (1998) suggested, in effect, with privatisation, a new organisation will be produced once the firm is subjected to such radical changes, which involve drastic changes in 'core values' and 'deep structures' of the organisation.

Accordingly, certain key factors were emphasised by the participants, which had been at the centre of the change process (Figure 7.5).

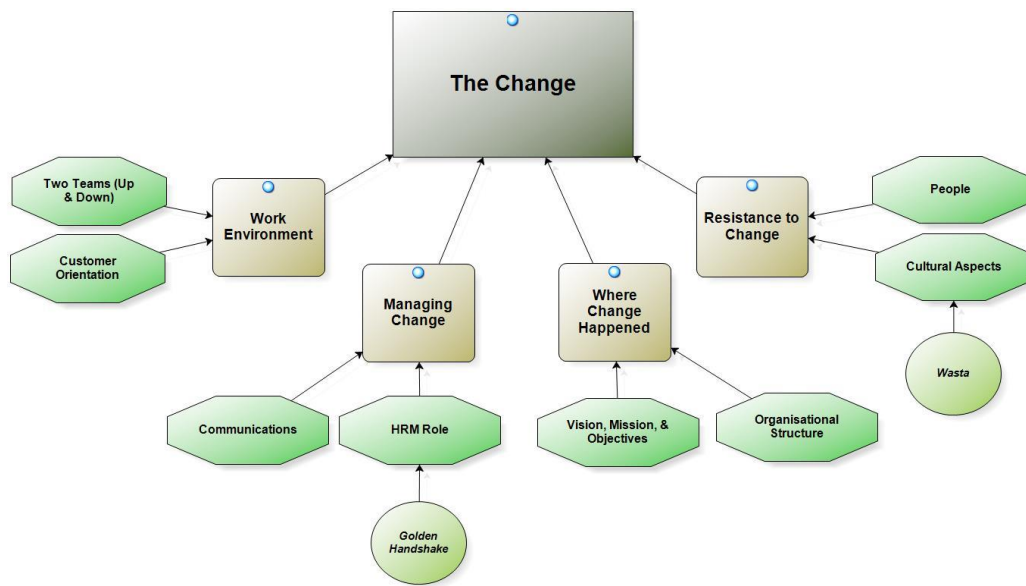


Figure 7.5 Change and associated areas of significance

Many participants emphasised that the change had taken a top-bottom approach as the government had adopted the privatisation strategy, so initial work and activities were controlled exclusively at the top level of the organisation (P 4, P 9, P 14, 2015). This approach was common in many cases throughout the world, as reported by Coram and Burnes (2001:103), in the case of the privatisation of the UK’s Property Service Agency (PSA), change was “...imposed on the PSA rather than arising from the decisions of its own management”. The significance of the “top-bottom” approach, according to Sabatier (1986) is the involvement and support of the government in facilitating the change process through legislative or policy change. It could be argued that such an approach would be necessary, as the start of the transformation required significant support from the government through amending its policies to allow Saudia to operate under the private sector, whilst still owned by the government and at the same time, opening up the market and enacting new regulations. However, as the project progressed and SBUs were established, the internal change processes continued to take the same approach, which attracted criticism from many employees.

P 17: I can only say that a handful of people know what is going on and where the organisation is heading. For some reason, this strategy has been deemed appropriate and has been followed by all DGs and top executives since the start of the privatisation project.

Managing the transformation was described by the participants as officials being more inclined towards and focused on changing the external appearance of Saudia (P 15, P20, P 22, 2015). P 21 (2105) explains that officials wanted to produce results and show that change had taken place, so they changed the logos, uniforms, SBUs' signs and letter heads. Nonetheless, people were not part of the change. This accords with Coram and Burnes (2001) findings regarding the PSA, where during its privatisation, changes were focused very much on "...structures and procedures, paying little attention to the need for attitudinal, behavioural and cultural changes or, indeed, the reaction of the PSA's staff to the notion of privatisation" (103).

P 10: Nothing has changed, from the manager and below, nothing changed, not in the title, positions, duties, processes, or anywhere. We are still the same public sector with the same thinking.

Participants' views about the change process and how it has manifested throughout the transformation from public to the private sector fell within four main categories, which will be depicted next.

7.4.1 Work Environment

The work environment played a crucial role in Saudia's organisational context, as it was the most referenced point by all participants. Shared views covered both sides of the work environment: tangible in terms of the physical conditions and surroundings of the workplace and soft, intangible aspects, which relates to newly imposed concepts, such as customer orientation and the division and clustering of employees that had manifested throughout the change process.

In terms of the physical surroundings of the workplace, all participants shared and agreed on the deterioration and inappropriateness of the workplace and conditions that currently existed throughout the organisation, with particular empathises to the operational facilities. P 3 (2015) highlighted that Saudia's headquarters and other administrative buildings were considered to be in a workable and acceptable condition. Regarding, the operational facilities that are utilised for the flight operations, technical, catering, cargo and ground services, participants stated:

P 12: The work environment is awful, people are working in bad facilities as they stopped maintaining them due to the move to the new airport within the next few years. However, until they move, how do you expect people to work here?

Such criticism and negative views were attributed to the unexpected delays in completing the new development and renovation of King Abdul-Aziz International Airport (P 24, 2015). According to the initial plans, completion of the new airport's first phase was scheduled for 2013 (Kimmance, 2011). However, consequently the project was delayed so the condition of the airport, hangars, and other supporting facilities deteriorated, leading to CAGA's focus upon the airport itself in an effort to minimise the impact on travellers. However, the supporting facilities did not receive the same attention and Saudia employees suffered the most (P16, 2015). Such criticisms were highlighted by Shakeel (2017:n.p) in an interview with Saudia CEO, Jaan Albrecht,

Of course, key to getting more tourists and travellers into the Kingdom will [addressing] the image issues that have persisted with travel in the Kingdom. In 2016, Jeddah airport was ranked among the worst to land at, according to a report.

Employees who used those supporting facilities suffered unacceptable working conditions (P1, 2015), which affected their productivity and morale, and raised some health problems in some instances (P 2, P3, P8, P10, 2015). This is of concern, given that according to Bitner (1992:59) "... employees ...may respond cognitively, emotionally, and physiologically to the environment...[and that] human behavior is influenced by the physical setting in which it occurs is essentially a truism".

In terms of the intangible and soft aspects, participants expressed their views on two main issues that had developed and became evident as the change evolved. The first was the division between the employees into two clusters or groups (Up and Down) within the same organisation, and the second was the concept of customer orientation.

7.4.1.1 Two Teams (Up and Down)

The terms 'up and down' or 'us and them' were mentioned many times by participants demonstrating a division in the working environment among people within the same department or across departments. For example,

P 26: Once the new boss took office, he wanted to please the people at the top at the cost of the people down here. He pushed and demanded better performance from us, but he did not give anything or make any improvements in our work environment.

Participants attributed this division to three main aspects. The first one is opening of many positions as a result of the GHS and early retirement, which motivated many to

seek to further their careers for a quick gain during the transformation process, as P 7 (2015) explained that many just sought to further their careers regardless of the consequences.

The second is a cultural aspect of *Wasta*, where people started to look to fill these vacancies with their relatives or close friends, which would increase their gains and give them more power, acceptance, and loyalty with those to whom the positions were given.

P 14: The directors were keen to select and promote certain individuals regardless of their abilities but rather for personal gains and *Wasta*.

The third aspect is more associated with middle managers; once they were promoted, they wanted to please their superiors by producing results, which put them in an ‘executioner’ position, so they demanded and extracted output from their subordinates, regardless of the situation and conditions.

P 10: The boss told him [a fellow worker] that he must do the job by the end of the shift and that he did not want to hear any excuses or else. In the end, the employee felt that he did not have a choice but to go and do it.

This division was highlighted and acknowledged by many officials, for example, the DG of Saudia, Eng. Al-Jasser, stated “...what we need is to manage our objectives, make use of opportunities and work as one team” (Abdul Ghafour, 2015:n.p).

Nevertheless, no specific reasons were clearly understood or were shown to be highlighted during interviews, particularly, with top executives and HRM staff, in relation to diminishing this situation of division within the workforce.

Conflict too is self-generating; when it arises in a relationship, it bends social processes to its service. For example, if conflict yields benefits for a person, these motivate him to perpetuate the process. Or if it begets losses, these perpetuate the conflict because the losing party fights to catch up, to even the score (Wall Jr & Callister, 1995:550).

Consequently, the formation of many themes throughout this research can be better understood based upon the conflict that developed between employees, as we observe the labelling and grouping of employees based on “winning and losing” (see 7.5.1.1), “up and down”, “them and us” with conflict of interests among the different stakeholders (see 7.5.4.2) as if they were not part of the same organisation.

7.4.1.2 Customer Orientation

Competition has affected Saudia at a highly strategic level as executives noticed the need for modernising the fleet and opening up new routes and destinations. Although international and regional operators posed a competitor with Saudia, the real rivalry came from the introduction of new national air carriers, NAS and SAMA (P11, 2015). Further, P 8 (2015) explained that foreign operators competed with Saudia at an international level, whereas, domestically, Saudia had enjoyed a monopoly of the market since its establishment in 1946. This monopoly, coupled with very strict public sector rules in terms of HR, created a very constrained, rigid environment that did not motivate employees towards improving customer satisfaction.

P 11: Our customers have no choice, either fly with us or drive their cars. There is no other option.

Therefore, the lack of attention to customers' needs can be attributed to the lack of incentives and the absence of risk of liquidation (Newman, 1986).

However, as P 29 (2015) highlighted, as privatisation progressed, and during the transformation process, the concept of customer orientation started to develop particularly with the introduction of the new national carriers, NAS and SAMA. P 20 (2015) explained that we interact now with customers, yet, we have not received proper training or orientation on how to handle their requests.

It is important to highlight that not much effort was made to educate or establish the concept of customer orientation, as no training or workshops of any sort were in place to coach and increase the level of awareness of the employees at any level (P 9, 2015).

P 6: Until today, we have not recruited or established a marketing department within the SBUs. We have assigned people from the current staff to perform the functions of this department.

Shared views, by the participants, showed that the evolution of the concept of the being customer oriented is considered to be a goal and objective of privatisation (Newman, 1986; Miller, 1994). However, the lack of initiatives was reported for strengthening and embedding this concept throughout the transformation process. The culture did not change, they still act like if they were in a public firm and nothing had changed, no one cares about the passengers (P 2, 2015).

Nevertheless, efforts have increased within Saudia to strengthen the focus on customer needs, as the DG of Saudia, Eng. Al-Jasser, "...promised to tackle the airline's customer service issues ... We will give top priority to customers in order to maximize satisfaction" (Lala, 2014:n.p).

7.4.2 Managing Change

All outcomes came in the form of official recommendations and reports.

P 18: ...the consulting company gave us a seven-year plan for the transformation process, which had included a time scale for each stage. The first step was associated with a proposed new organisational structure, which was incorporated all at once. Nevertheless, I believe that this is the only step of the seven-year plan that was executed in time and as prescribed'.

Nevertheless, in managing change, participants could not agree if a planned approach was utilised for the transformation of Saudia, as few participants agreed with the statement made by P 18 above (P 9, P 30, P 32, 2015), while the majority of the participants, such as P 1, P 2, P5, P 15, P 23 (2015), claimed that even if the plans were given by the consultants, they were not executed accordingly.

P 18 (2015) specified that the change was planned according to a completed "business plan, process charting, how things are and how they will become", outlining the change of structure and the great magnitude people experienced difficulties coping with the change when they did not know what their new responsibilities or duties were. Connor (2003:xiii) emphasises that one of the "...biggest barriers to any change effort [is] ... inadequate change-management skills". This is what employees alluded to throughout their interviews when asked the specific question: 'How do you categorise the change process?'

The majority of the participants responded that it was not a planned change approach, but rather, an emergent change approach.

P 23: Currently, we do not have a plan or somebody who checks if what we are doing is in accordance with what the plan says, which will get us to our final destination. We started a journey and we are still exploring without anybody telling us where we are so far and where we are going.

Certain participants, who held top-level posts, claimed that a plan had existed initially, but it was inappropriately executed.

P 32: Most people think that the privatisation project started in 2006, but that is not true. The work started in 2000 when the government gave the order to go ahead and prepare the company for privatisation. At that time, the work was initiated and plans were suggested, but not carried out.

Such disagreement reveals the lack of information dissemination throughout the company, along with the absence of clear coordination of the implementation process of privatisation. Further, such vagueness of the process could be attributed and linked to the limited experience with privatisation, as Al-Sarhan and Presley (2001:117) stressed even at a higher level of government "...there are no privatisation plan documents, and even then, there is no specific mention of assessing returns or efficiency improvement of privatised projects or activities as a case study". Thus, an emergent approach seems to have been adopted by both the government and Saudia.

In the same vein, two participants (P 18 and P 32) stressed that certain plans did exist and the initial steps were executed in accordance with them. However, they emphasised that as time progressed and difficulties arose, the airline started to deviate from them, so in the end, they were ignored and neglected.

P 18: When things were going as planned, yet, once the new MD came on board, who was not a believer in privatisation, he started deviating and undoing what had been done in the past.

In considering the efforts associated with new changes, such as change of uniforms and processes when dealing with customer demands, many participants clearly indicated that no specific steps or processes were applied to harness the new changes. Hence, there was no utilisation or indication of using a change model, such as Lewin's 3-step model or any other model. Employees were not willing to wear the new uniforms, but nothing was done to correct such behaviour.

P14: The new uniform has the new SBU logo and name. However, until today, six years since the establishment of the SBU, we have employees who are refusing to wear the new uniform. They are claiming they are employees of Saudia and on loan to the SBU. Therefore, they have the right to wear the old uniform that represents Saudia and not the SBU.

The above statement reflects and links to Lewin's Field theory, Group Dynamics, and Actions Research, as employees, at both individual and group levels, sought to behave in a certain way, yet the firm does not recognise the situation or the seriousness of their refusal to change. Further, in managing the change and transformation process, participants commenting on the above emphasised two aspects in particular, that are of great significance in managing change; communications and the HRM role.

7.4.2.1 Communications

Communications play a pivotal role in organisational change (Argenti, 1998; Daly et al., 2003; Elving, 2005). Regarding Saudia, the DG Eng. Almulhim demonstrated awareness of the importance of communication and was praised by participants for initiating many clear and direct communications with employees of all levels of the organisation (P 31, 2015).

P 3: I remember, in all of his [Eng. Almulhim] interviews and visits to different divisions and SBUs, he always talked to us about our future of the company's and what is going on with the project.

Similarly, he directed HRM to issue a pamphlet to every employee, outlining the privatisation plan, with employees' options to move forward (Figure 7.4). Furthermore, a letter was issued addressing each individual's situation; what had been accomplished in his SBU and next action items. Employees were highly impressed with his level of openness and clarity, as this was not the norm or culture in Saudia (P 32, 2015).

However, as time progressed and problems started to accumulate, communication initiatives vanished.

P 18: Most of the changes were posted on the official website, but unfortunately, no direct communications with the employees took place.

P 32: I am telling you that the problem in unit [X] is poor communications with the people. People do not get accurate information at all.

Equally, the views expressed suggested that communication failed at different levels of the organisation within certain departments or divisions, as stated by P 32 above. Many participants highlighted that some information was posted on the company's homepage, but this was not communicated or brought to their attention, as described by P 18 above. Such absence of clear and proper communication is significant, as many scholars have

affirmed that failures of change programmes are directly linked to breakdowns in communications (Gilsdorf, 1998). Further, Deal and Kennedy (1982:15) linked corporate culture and effective communication with costs:

by knowing what exactly is expected of them, employees will waste little time in deciding how to act in a given situation. In a weak culture, on the other hand, employees waste a good deal of time just trying to figure out what they should do and how they should do it. The impact of a strong culture on productivity is amazing. In the extreme, we estimate that a company can gain as much as one or two hours of productive work per employee per day.

These numerous links to scholars' findings clearly demonstrate that communications are connected to and interlinked with many organisational aspects. For example, participants highlighted the lack of communication in broadcasting the change in their firm's vision, mission and goals (see 7.4.3.1). Further, this links to mediating difficult decisions that were taken in regard to eliminating top executives' positions, resulting in employees being angry, as they perceived it as limiting their career and progression to elite positions.

This is crucially important, as the lack of communications is attributed to a deeply rooted organisational norm of people working, but kept in the dark as attested by participants.

Such behaviour contrasts with the assertion of the pivotal role of internal communication by scholars such as Lippitt (1997:19) "...effective internal communication enables people to align their actions to support organizational goals, to coordinate and maximize resource use, and to stay motivated". Moreover, Grunig (1992:569) proposed that communication is "the catalyst that initiates overall organisational excellence and effectiveness". Sadly, collated evidence does not support such claims in Saudia.

Parker (1995b:51) suggested that "... in pyramidal forms of organization, communications will tend to become formal and complex, with information being subject to "noise" as it flows along the chain of command, such aspects [are] accompanied with unclear and less defined goals - what should be reported and why?". This process affects the dissemination of information to employees. Such formal and complex practices were common and did not come as a surprise to employees (P 11, 2015), although the new DG, Eng. Almulhim took an unconventional step by printing

the pamphlet and sending a letter giving an insight into the change process, to each employee. As the change was linked to their career prospects, employees felt that they had the right to feel part of the organisation and have their views listened too, so the lack of communication led to negative impacts on employees' morale and willingness to accept the change. As a result, they resisted it.

P 28: All we hear are rumours. No one is saying anything to us. It is not a clear picture of what will be the situation with the airline or what will happen next.

P 15: Man, we have been part of this firm since its beginning. The executives joined Saudia recently and did not sweat or work hard to see it grow. So, they expect us to stay silent and do as they wish. We have the right to know what is going on, it is our company.

These comments demonstrate the attachment and sense of belonging that employees feel, as well as their resentment at not being included in the change process. Further, another underpinning concept of *Shura* (consultation) is integral to gaining information, as in Islam seeking *Shura* is recommended when it comes to public affairs. In contrast, nobody seemed to provide clear answers to employees' concerns. In essence, *Shura* is a practical method of seeking advice, as well as consulting others whilst making decisions on issues that concern them. One of the *Qur'an's* 114 *Surah* (sections) is called *Ashura* (*The Shura*), which indicates the importance of the concept.

The *Qur'an* states:

And those who answer the Call of their Lord [i.e. to believe that He is the only One Lord (Allâh), and to worship none but Him Alone], and perform *As-Salât* (*Iqâmat-as-Salât*), and who (conduct) their affairs by mutual consultation, and who spend what He has bestowed on them (*Ashura*, 25:38).

7.4.2.2 HRM Role

The first three years since 2006 saw very aggressive and dramatic changes in Saudia in regard to the employees, as a guide to privatisation was issued (Figure 7.4), clarifying the process to be utilised in transferring employees from the public to private sector. According to the guide, employees were given four options: 1) apply for the GHS, 2) apply for early retirement if they had completed 20 years of work experience and signed a new contract with the newly formed company (SBU) with contractual terms that would be not less than their current pay, and but might be more. 3) employees who had

not completed 20 years of service in Saudia would continue to work in Saudia as public employees loaned to the new firm until they had completed twenty years of service, then they could apply for one of the first two options above, and 4) transfer to another SOE.

According to P 16 (2015) "...things were clear for us and everybody started evaluating his options". The DG explained that the project was set to be completed by 2008 (Khaleej Times, 2006). However, as time progressed, it was announced by Saudia officials that this target date would be revised due to certain challenges, but the project would be completed by 2013 (Abdullah, 2011). This signalled that there were some difficulties that needed to be resolved. Even so, administration personnel did not see this postponement as a problem due to two factors: firstly, it was expected that the project would take longer than initially anticipated (Rice, 2004; Akoum, 2009). Secondly, the magnitude of change and transformation achieved was seen as impressive by many (P 2, P 8, P 12, P 22, P30, P31, 2015). Such views were consistent with similar projects as reported by Coram and Burnes (2001:103):

The move to privatise the PSA was far slower and much messier than either the government or the PSA's management had allowed for but with some good results... as a director of one of the privatised firms, stated the Privatisation of the PSA took longer, and was more difficult than expected.

One major obstacle that faced Saudia was the overstaffing situation. In dealing with the issue '...HRM had to get involved as its role became central as never before' (P 5, 2015). In other words, the HRM function was to transform from performing classic functions to playing a more active role. This had "...long-term implications, such as the development of integrated HR strategies, involvement in organizational strategic decision-making, and managing organizational change" (Truss, 2008:1072).

Unfortunately, many participants alluded to the fact that the HRM department was totally marginalised during the years prior to privatisation (P1, P 9, P13, P 21, 2015). Such views are consistent with Hutchings and Weir (2006a:151) observation that "...personnel and human resource departments may deal solely with payroll, recruitment, remuneration, and discipline within quite explicit constraints, rather than the more strategic, global focus found in HR in the developed world". This is similar to the conditions faced in the UK prior to the 1980s, when "...public administration was closely associated with the Weberian centralized, hierarchical model of public services,

where administrative rules were determined by central government and implemented by public organizations” (Truss, 2008:1072).

However, P 22 (2015) explained that with the start of the privatisation project, new mandates evolved, which required HRM’s involvement, such as, under the private sector umbrella, recruiting new employees and the adoption of the GHS as a downsizing mechanism.

(A) Golden Handshake Scheme (GHS)

Various strategies to overcome overstaffing issues evolved over time according to the different decisions and tools used by different DGs. For instance, the first DG, Dr Bin Bakr, chose to eliminate positions and stop recruiting new employees. Thereby, ‘...reducing manpower was slowly done based on employees’ retirement or resignation’ (P 5, 2015). The second DG, Eng. Almulhim utilised the government approved GHS, which led to reducing the total workforce by more than 4,000 employees (P 13, 2015). This reduction had a significant impact on privatisation progress and performance throughout the company (P 18, 2015). The third DG, Eng. Al-Jasser faced the problem of a shortage of skilled, technical people so reinstated the recruitment process, and in early 2016, issued a directive for the termination of the GHS (P 24, 2015).

However, P 32 (2105) emphasised the government’s concern for people and their jobs, “...as large-scale dismissal of civil servants is socially and politically unacceptable. So not feasible” (Macgregor et al., 1998:63). Thus, the GHS was the main mechanism initiated as a remedy to the overstaffing problem (P 4, 2015). The DG directed the HRM to review all applications and provide a final list with certain conditions being met in order for a person to be considered for approval. P 26 (2015) explained that three main conditions were associated with the scheme: the applicant must; 1) have completed 20 years of service in the public sector, 2) be aged 45 or above, and 3) hold a position that would not affect the operation of the company.

Nonetheless, a clause was added to allow employees who suffered from serious medical conditions that affected their performance and ability to do their job, to apply for GHS. However, for these applicants, only the age condition could be waived. For applicants who fulfilled those conditions, after determining the impact of their leaving on the organisation, the division heads could approve their application (P 16, 2015).

Although HRM within each division was tasked with reviewing each application, then forwarding their recommendation for early retirement approval or not, the implementation of the task was far from easy as cultural influences and personal agendas played a significant role in changing and swaying the outcomes of this reviewing process (P 18, 2015). Personnel holding key positions used their powers to influence the outcomes of such reviews as they saw this as an opportunity to eliminate competition from individuals that pose a threat to their career (P 11, P 17, 2015).

Further, highly qualified personnel who felt that they were treated unfairly and lack relationships and *Wasta*, perceived applying for the GHS as an opportunity to leave Saudia and seek better employment with one of the new operators, NAS and SAMA (P 30, 2015).

Regardless of the admiration for GSH as a solution to the overstaffing problems, many participants stressed that it was very poorly executed (P 7, P 9, P 22, P 23, 2015). Such assertions were based upon the fact that employees, who were approved under the GHS received a sum of money when they retired (P 7, 215). Also, as the GHS did not clearly state who the targeted retirees should be (P 11, 2015). Subsequently, redundant and highly qualified employees applied and were approved (P 23, 2015), thereby causing the loss to the airline of valuable knowledge and expertise.

This challenging situation is parallel to change in PowerCo: "...under the volunteer redundancy program there was a failure to discriminate between employees on the basis of performance or organisational need...[thus] losing essential expertise and corporate knowledge" (Nelson, 2003:22). In justification of such action, some participants held the opinion that, at that time, the situation forced the necessity to approve anyone who applied for the GHS (P 9, 2015), as there was a need to downsize quickly to conclude the sale of two SBUs that were targeted to be privatised within a year (P 4, 2015). Further, P 20 (2015) postulated that as the consulting firms advised that 7,000 employees would need to be discharged, implementation was urgent, however, "...we only approved 4,000 and still have 3,000 to go" (P 18, 2015). These reasons are consistent with the two rationalisations highlighted by Macgregor et al. (1998:64): "How much downsizing is needed?" "And how fast?" Accordingly, these two central issues emerged when deploying this mechanism in the case of Saudia. Yet, many participants expressed their regret that many "good" employees were approved for retirement and left the company (P 1, P 4, P 29, P 30, 2015).

The overstaffing issue in public firms had been the norm throughout the region; Kostiner and Lucas (2004) stress that such accumulation of national employees in the public sector was common among Gulf nations. “For many years, the authorities guaranteed full employment for citizens by using huge oil revenues to create jobs in the public sector” (252). In the case of Saudia, the utilisation of the GHS did not resolve the overstaffing problem. Although overstaffing was reduced they are still carrying around 3,000 redundant employees (P 18, 2015).

7.4.3 Where change happened

In the case of Saudia, the evidence clearly shows that change occurred in various aspects of the organisation. All participants affirmed that the year 2006 was considered to be the ‘Golden Year of the Privatisation’ (P 32, 2015) as a new DG, Eng. Almulhim, who had just completed the privatisation of STC, was appointed to lead Saudia (P 5, 2015). Furthermore, financial constraints and difficulties were overcome, as the financial standing of the government was at its highest level ever, mainly due to increased oil prices (IMF, 2006).

Moreover, P 28 (2015) recalls that accompanying the appointment of the new DG, a stream of rumours circulated throughout Saudia that all employees would gain from the privatisation of the company. Such rumours received acceptance and support primarily because of the actual improvements that STC’s employees had gained. For example, STC employees received pay increases, medical insurance, and three times the basic salary as a housing allowance (P 12, 2015). As detailed earlier, through the issuing of many directives and decrees (Table 7.3), the government supported the DG’s requests to allow Saudia to establish SBUs and obtain commercial trading authorisation for them. The launching of the GHS, which required extra funding to be able to downsize the company, was attributed to this DG.

Other forms of change took place, according to P 10 (2015), such as in approving the modernisation of the fleet and IT systems. This played a significant role in competing with other operators in the Saudi market, which coincides with the Reuters (2014:n.p) report that “Saudi Arabian Airlines (Saudia) has secured a loan worth 7 billion riyals (\$1.9 billion) from a consortium of banks to fund its plane deliveries and growth plans, the company’s director-general said.”

Nevertheless, all participants agreed that the change could be noticed, especially, in one particular area, i.e. organisational structure. However, opinions were divided in relation to changing Saudia’ vision, mission, and objectives, as some affirmed they were changed and others rejected such claims.

7.4.3.1 Vision, Mission, and Objectives

Changes made to Saudia’s vision, mission, and objectives were disputed and challenged by participants, as many proclaimed that they were revised and changed, e.g. a new mission statement had been drafted and put on the company’s web-page (Figure 7.6). In addition, new cards were printed and distributed outlining the new vision of the company. Figure 7.7, illustrates Saudia’s new vision as “to become truly customer centric, competitive, profitable and the champion of the ‘Saudi’ brand in the world”. The vision included many terms that are associated with the private sector: ‘customer orientation, profitability, and competition’.

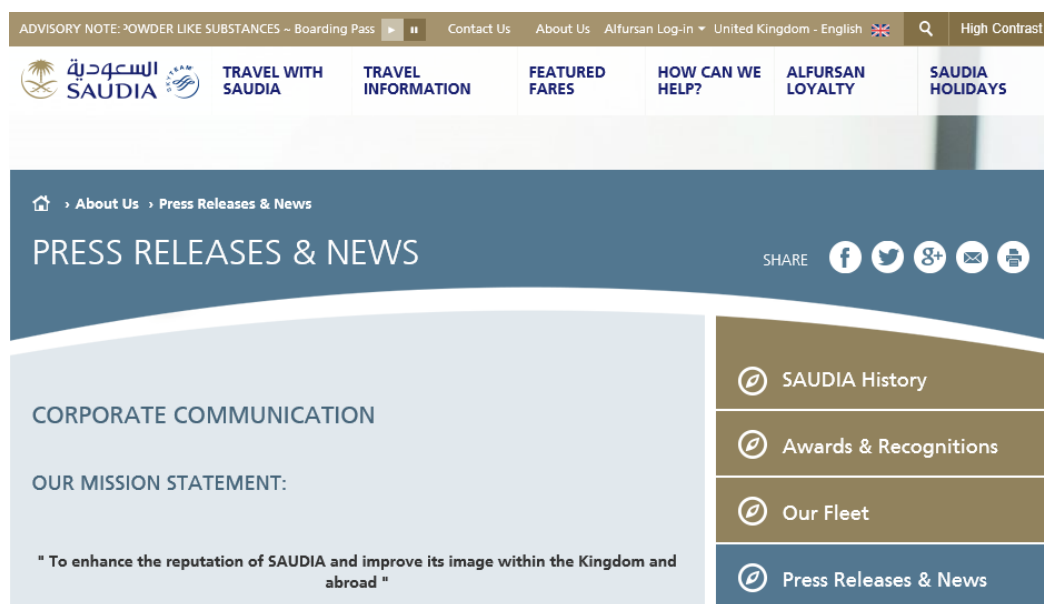


Figure 7.6 Saudia’s Mission Statement

(Saudia Airlines, 2017a)



Figure 7.7 Saudia's Vision

Nonetheless, many participants strongly rejected such claims.

P 27: No, nothing has changed. People do not understand nor know what our new goals are.

Therefore, after careful scrutiny and analysis of the data, it became evident that personnel at certain organisational levels, who have been associated with the change, were the ones confirming its occurrence, whereas, personnel not involved, especially at lower organisational levels, rejected such claims.

The limited efforts of communicating changes throughout the organisation were also cited.

P 4: OK, on one side, they have changed them [vision, mission, and objectives], however, letting us know about it is something else.

Such arguments clearly support an essential concept of change management, i.e. the importance of sharing the company's vision with all employees. As Nelson (2003:25) stressed: "...the importance of providing a vision is critical to change for employees to clearly comprehend the future". Surprisingly, officials in Saudia were aware of the importance of this fact, as indicated in an interview with Al-Bakri, Vice-President of Strategic Projects at Saudia:

Saudia is in dire need of the effort of every employee... The clear vision as well as the creative participation of both executive management and the staff, will help Saudia to achieve its admirable mission and vision to be a world class airline providing high class airline services across the globe with a distinctive Saudi character (Al-Harhi, 2016:n.p.).

Other examples reflecting the importance of sharing a vision throughout any company, were reported by Balogun (2003) in the privatisation of UK utilities in the mid-1990s:

The change process was launched with a major communication drive. All employees attended 'roadshows' at which they were shown a video explaining the change process, and had opportunity to ask questions. Following this, there were a series of 'vision workshops'.... Their purpose was to explain in more detail the rationale of the changes and how the new structure was to work.

However, in Saudia's case, various aspects related to the new vision had many shortcomings, like events or processes of implementing the change were not evident, due to the lack of communication, training or other mechanisms launched to enhance employees' awareness about the change that had taken place.

7.4.3.2 Organisational structure

Being a public firm, bureaucracy and authority seriously affected the structure of Saudia (P 22, 2015). P 11 (2015) explained that the position of Senior Manager was not part of Saudia's structure. Further, EVP positions did not exist in the past, as the VPs reported to the DG directly. Therefore, personnel used their power and influence (*Wasta*) to create these positions, thereby increasing the layers of the organisational structure. Thus, the structure became more vertical, which aligns with the view of Parker (1995b:51): "...in essence, public-sector organizations have tended to be very hierarchical, conforming closely to the traditional pyramid shape".

The use of *Wasta* has been strongly associated with the actions of appointing people into certain positions, which could result in creating and changing the structure of public firms (Hutchings & Weir, 2006a; 2006b). In Saudia's experience, changes in organisational structure were noticed and commented on by all participants. The approach in changing the structure evolved with time as in 2000, rules and regulations were very rigid, which led the DG, Dr Bin Bakr, to utilising the retirement of employees as a way of eliminating positions, thus, changing the structure (P 32, 2015).

However, the true change in Saudia's organisational structure came in 2006 when the consultant's proposals were forwarded to the government for approval, due to the fact that until then Saudia was still a public firm governed by the MCS rules. The government issued order No. 1/27; 14/2/1427 H (15/3/2006) in which it approved the structure (Table 7.3).

As a result, the main structural changes were associated with dividing and splitting the company into independent SBUs, with each SBU headed by a CEO, who had several directors reporting to him. Each SBU had its Board of Directors chaired by Saudia's DG. These are the main changes which took place in regard to the organisational structure during the period of 2006-2009.

The third development in the change in Saudia was in relation to the DG's position, as in 2014 a new DG was appointed to lead Saudia. For the first time, the new DG was selected and appointed through Saudia's Board of Directors. The new DG did not hold ministerial rank like his predecessors. Such independence and freedom in selecting the new DG gave a clear message that Saudia was considered to be a private company, managed through its Board of Directors (P 24, 2015). Equally, it demonstrated the support of the Saudi government in allowing the company to make its own decisions (P 19, 2015).

The change in Saudia's organisational structure reveals similarities to many organisations throughout the world that underwent organisational restructuring, such as in the case of privatising BA (King, 1987). Also, it has been suggested that organisational structure should "...seek to ensure flexibility and adaptability...in effect, the opposite of bureaucratic structure" (Centre for Financial and Management Studies, 2011:12). Zabalza and Matey (2011:1745) suggested that

Public firms maintain an overly rigid hierarchical structure, with many hierarchical levels in which jobs and their functions are perfectly defined and delimited... After privatisation, it seems that there would be a more flexible organisational structure, fewer hierarchical levels and more open- and less-defined jobs.

In the case of Saudia, the change in the structure was far from easy and was more difficult due to numerous factors. Particularly the fact how affected peoples' careers and future, as it affected their gains, not only in terms of pay but also to the benefits associated with their positions. This added to the complexity when dealing with restructuring.

Change in organisational structures is directly linked to Principal-Agent theory in terms of maximising the gains of the managers. In the private sector, owners have the ability to motivate managers to work harder towards maximising their gains through incentives, whilst in public firms, stimulating managers is much more difficult, due to

the absence of incentive mechanisms. This encourages managers to increase their gains by increasing their authority, power, and benefits and relationships (Jensen & Meckling, 1976; Martin & Parker, 1997). The direct impact upon employees' benefits was experienced in the restructuring of Saudia. Many people, particularly in top-level positions, were vigilant and worried in regard to the restructuring process: what their new titles would be and what power they would have (P 11, 2015).

However, many participants disagreed with the outcomes of the restructuring process:

P 13: The entire structure is wrong. It was designed as a courtesy to certain people so they and their friends could gain more influence and more importantly, more money.

Clearly, the outcomes were influenced dramatically, resulting in maximising the gains of those individuals who hold key positions of the new SBUs. The complexity of the restructuring phase was, therefore, multifaceted.

As stated, on the one hand, the absence of incentives encouraged employees to work towards increasing their benefits. *Wasta*: conferred an ability to influence decisions and outcomes which were not necessarily in the best interest of all, so employees generally resisted changes if they felt that there were no benefits for them. Furthermore, the rigidity of the existing system limited any flexibility to sack key figures whose key positions gave them the power to intervene, obstructing the workflow and the privatisation process.

P 11: I can tell you that, during the privatisation process and all this chaos, many are looking for opportunities to get better positions for themselves or someone close to them. They are not looking for the right person in the right place, I tell you that for sure. They are looking after themselves or placing their sons, cousins, family members etc.

The highlighted misconduct and misuse of power and authority resulted in an awkward organisational structure when new positions were established. Similar cases have been reported, showing how people develop and master the ability to manipulate governments to get their way, As Abromeit (1988:75) stated:

Even the new chairmen have proved to be a match for the government when it came to the 'hows' of privatisation, particularly since they were rather successful in committing their sponsor departments to their own ideas, i.e. they succeeded in transferring their conflicts with government into the government machine. The BT managers, for instance, succeeded – quite conspicuously - in inducing the

government to drop most of its original ideas about liberalisation in the telecommunications industry.

Such complex and interlinked situations led to the development of a split among employees (P 2, 2015). Two groups developed within the organisation: those who had gained and were promoted tended to support the change and those who did not gain anything opposed the change and resisted it. The first group were viewed as ‘winners’ in the change process and the former saw themselves as ‘losers’ (P 4, 2015).

7.4.4 Resistance to Change

This research found that resistance to organisational change was manifested in two ways: (a) through employees within the organisation resisting the change and (b) factors associated with culture, such as *Wasta*. Resistance resulted in either stalling the change process or halting it on some occasions (P 9, 2015).

7.4.4.1 People Resisting Change

In Saudia’s case, people played a key role in the transformation process.

P 20: People are your ultimate problem – this is a major issue with the people when changes are implemented. You can fix or change the place, system, and tools, but without people and their commitment to change, nothing will work, so is it worth changing?

Several aspects were identified and emphasised by the participants when addressing employees’ reaction to the change process. However, the comments received reflected individual views rather than a collective view. In other words, the comments did not show collective views towards employees’ reaction to the change as if a specific body or team had focused on addressing and managing how employees perceived the change. Rather, participants provided anecdotal reflections of incidents that they had encountered or dealt with.

In addressing such points, Bovey and Hede (2001:535) stressed that many scholars (Arendt et al, 1995; New and Singer, 1983) emphasised “...that the vast majority of organisational change is managed from technical viewpoint without recognising or understanding how the human element influence the success or failure of the change”.

Nevertheless, participants highlighted several reasons for resisting the changes that took place during the change process. One factor was the issue of belonging to and feeling

part of the organisation for so long, which led to resisting the new ways imposed by the change.

P 7: People have been working under the public sector for too long, thus, finding someone that is willing to lead and transform his department is very difficult.

Such comment was linked to two aspects that were addressed by Dawson (1994); Burns and Scapens (2000) as a cause for resistance. The first is the lack of abilities or knowledge on how to perform the new way of working, and the second ties into the long established routines and norms that were embedded within the fabric of the organisation, preventing people from being able to change or overcome its demands.

Equally, it was reported that employees felt a strong sense of belonging, so by accepting a change to their uniforms, they felt they were being disloyal to the organisation in which they had commenced their careers and which had looked after them. Cases were reported that a leader had refused to change the decoration of his office that displayed the old Saudia logo (P 8, 2015). Also, many employees that are loaned to different SBUs are insisting on having the certificate of employment issued on the Saudia's letterhead rather than their new SBUs (P 17, 2015).

Further, employees resisted change as they felt they were being disrespected by officials who either not consider or did not want to hear their views (P 10, 2015). Such issues are related to their strong sense of belonging; they felt that Saudia was their company, so they cared deeply about it. As one participant stated: "...today if they tell me to wipe the floors of the hangar, I will do it, even though it is not my job" (P 20, 015).

Employees had a strong sense of gratitude towards Saudia for its positive effects on their lives. This led them to resist change.

In addition, it is important to state that some participants even linked this sense of not belonging, to the leader being an outsider, whom they felt was less loyal to the organisation, as he is new, whereas they had built it from scratch.

P 7: They [new leaders, outsiders] do not care, they just look at Saudia as another company or project, they were not part of the team that built it and saw it grow as we did.

Further comments such as the above can also be considered as resistance to accepting an outsider to lead the company. As King (1987:19) postulated:

[One] problem was the reluctance of the Executive Group of 12 of the Senior Managers to allow too much interference from an outside Chairman. In some ways the feelings of the Executives were perfectly understandable. After all, I was the fourth Chairman of British Airways to be appointed by the Government in 8 years-in fact the eleventh in 10 years of BEA-BOAC. Therefore it was not particularly surprising that some of those with many years service in the airline business had the feeling that, if they played long, I might go away again and they would get someone else.

This form of resistance was highlighted by Hultman (1995), who asserted that there would be a high probability of resisting change when "...they [employees] had no input into the decision ... [and that] most employees expect to be treated with respect" (16).

In addition, manipulation was highlighted by numerous scholars (Hultman, 1995; Dent & Goldberg, 1999; Bovey & Hede, 2001) to be of a source for resistance to change, which some employees displayed, as this was the way they felt:

P 1: The booklet that was issued to us showed that we had four options to choose from, which led me to decide not to apply for the GHS. Later, it was all changed and we were loaned to the new SBU with no choice. They [management] cheated us.

P 10: I will talk to you very honestly. They [officials] are not direct. When you talk to one of them, he refers to his superiors as if he had received a directive to act or do certain things. But, when you talk to the executives, they deny such claims and we are lost in the middle [sarcastic smile].

Such views are consistent with the claims of some scholars (Table 2.5) that negotiation, manipulation, and implicit or explicit coercion are possible strategies for overcoming resistance.

However, in the case of Saudia, manipulation and not delivering on promises backfired, so led to employees' rejection and unwillingness to cooperate any longer in the change process (P 4, 15, 27, 28, 2015). Added difficulties: mistrust, and resentment (New & Singer, 1983; cited in Bovey & Hede, 2001), could also have contributed.

A further dimension to resisting change was the absence of incentives to motivate the employees to embrace the new change. Many interviewees questioned, "What is in it for me?" (P 21, 2015). Hultman (1995) advocated "...some people resist because they believe their needs are already being met. In other words, they have no incentives or motivation to a change". In fact, employees saw that the goal of privatisation would force them to work harder to improve their productivity and performance whilst

receiving the same pay and benefits. Consequently, employees saw the change, with no added value, as negative.

P 17: You today are telling the people to keep on working without giving them any incentives or motive to stay or work, particularly the people in lower levels of the organisation.

Evidence demonstrates that employees' resistance had not been anticipated, and so not catered for, but it was considered that it escalated difficulties and conditions affecting the privatisation project. This is similar to the reported case of the Suez Cement Company, in Egypt "...the government had abandoned plans to sell the company to a strategic investor, for fear of worker resistance" (Younis, 1996:24).

This demonstrates that in reality, employees have power, as Abdul-Khalid (2000:7) argued

Power lies not in the hands of senior management. Subordinates hold power and thus, they can resist the new system. They might be able to subvert the change, i.e. maybe through modifying the system in ways which are compatible with their existing ways of doing things.

However, it could be inferred that officials in Saudia were relying upon the power vested in them, particularly as the 'top-bottom' approach was utilised to drive change. Also, the established culture supported these leaders as part of the Islamic teachings is for people to follow and obey their leaders. The *Qur'an* says:

O ye who believe! Obey God, and obey the apostle, and those charged with authority among you (Al-Nisa, 5:59).

Nevertheless, it is has been suggested that people with hierarchical power "(possibly with some difficulty)" can impose change, yet they cannot guarantee a successful implementation of change as those responsible for implementing the change have the resources and details required to execute the change (Burns & Scapens, 2000:19).

It is very important to explain that the teaching of Islam does not contradict management theory on the way of managing change. In fact, it complements it, in the sense that when making decisions, it is important for people to unite under their leader and not to divide. Consequently, it is the leaders' responsibility to seek advice and reconcile with others to ensure they make informed decisions by not ignoring others' views. Therefore, Saudia leaders had the responsibility to seek and hear the views of the employees, then consider them as part of the decision-making process.

Additionally, Thursfield (2015) suggested that resistance comes in three forms: “...work avoidance, withholding information and cynicism” is borne out by the experience of Saudia’s change.

P 5: please do not tell me they [officials] cared about the company. How can a division that was operating with two managers, now need ten managers, without any change in its functions or duties? Doing this is the opposite of privatisation. But because they will benefit from such change, they did not say anything about it, even if it is wrong and can eventually harm the company.

P 23: ok let me tell you this, no one says anything because of three things; 1) personal relationships, 2) too much tension, and 3) avoiding looking bad among colleagues. So, they did not say anything, kept silent and acted as if the change was appropriate.

The comment from P 23, above, shows the complexity added to the situation when personnel refrain from sharing their knowledge, experience, and opinions, as they avoid voicing what should be done and accept the decisions of others. This could make them appear as supporters of the change, yet, in fact, it leads to wrong decisions being made, which in turn lead to poor implementation. Such perceptions recognised that knowledge plays a significant role in resistance, as “...it can be bureaucratic or technical and production-focused” (Thursfield, 2015:992).

P 26: No matter what you are told, it is not good working in this unit. It is divided into clusters that share the same interests and background. So you cannot infiltrate these clusters or even try to get them at the same table or to move in the same direction unless they want to. It is an uphill struggle. The work environment allowed for the establishment of such clusters that they want me now to manage and change.

Further, executives resisted the elimination of the EVP positions with some resigning from the company as a protest against the decision. Others chose to resist and refrain from cooperating towards the privatisation project (P 4, 2015).

This is clearly the process that people in power used to convince officials that ten manager positions should be established in place of the existing four, while no additional tasks, duties, and/ or functions were added (P 5, 2015). Managing change is, therefore, a very complex process that is full of contradictions and power struggles, all leading to resistance, with each side endeavouring to win, and so ensure its advantage.

Another organisational aspect that contributed to resistance to change is associated with culture.

7.4.4.2 Cultural Aspects

Deal and Kennedy (1982:15) stated: "...any organizational change is a culture change". This comment is true in the case of Saudi Arabia as the Kingdom is saturated in deeply rooted traditions and culture that are unique and of special status. Harbi et al. (2017) stressed that in Saudi Arabia, improving organisational performance is culturally fuelled, which increases its challenges. Similarly, Jost (2015:613) stated, "...we know that people are far more resistant to changing beliefs that are logically or psychologically connected to other beliefs and values that are important to them". Furthermore, Abdul-Khalid (2000:7) postulated, "...the dominant norms and values in an organisation could be a barrier to the change programme".

Thus, the main aspect of the challenge for Saudia is in its culture, as the norm is *Wasta*, which is deeply embedded within all aspects of life in Saudi Arabia.

(A) *Wasta*

Within Saudia, *Wasta* practices were inherited from the national culture and became part of its organisational culture. *Wasta* includes nepotism and patronage, which are common practices affecting organisations' performance and operations. Similar to other public sectors, bureaucracy forces the company to hire people with lower capabilities and competencies (P 27, 2015). Nevertheless, it was highlighted that the most common form of *Wasta* that was practised within Saudia certainly influenced decisions to enhance self-interest. Individuals in key positions, or with strong connections, were able to influence decisions in the hiring or promoting of themselves or somebody they knew.

Such intervention in the recruitment process resulted in the mixed calibre of employees within Saudia. On the one hand, positions that require certain qualification, such as pilots, technicians, engineers, and other operational posts, *Wasta* had limited impact, as, although people were able to put forward a person for the training scheme associated with those posts, candidates still had to undergo the training and pass to be able to work. On the other hand, in administrative positions, *Wasta* affected hiring decisions significantly, which led to the overstaffing of administrative posts.

P 11: I tell you, many times we were forced to create positions not because of operational needs, but to promote favourites it. So we create the position just for that person, then after he retires that position gets eliminated.

Two main issues relate to such anecdotes: the first is the lack of accountability and the absence of governance to call into question the actions of those in power (Valente & Crane, 2010). This, in turn, is linked to a key objective of the privatisation to hold managers accountable for their actions within SOEs (Shirley, 1983). The second is a cultural one, as within Arab nations, "...while holding power over fellow tribesmen, the leader is thus interactively accountable to tribe members; and his survival is dependent on their continued approval" (Neal et al., 2007:301). Thus, leaders will exert much effort in looking after their followers, thereby ensuring acceptance among them. This increases the level of obedience demanded and legitimacy to lead. Such pressures on the leader, along with the absence of accountability and governance, enabled *Wasta* to be easily exercised.

Further, P 19 stated that

When I got invited to personal ceremonies, my boss introduced me to some people. I was surprised to find that all of them are his relatives and they all work in Saudia within different divisions and departments. I got the feeling as if they have inherited the company as a family.

Such comments clearly demonstrate that *Wasta* is not an effective method to successfully run a business, despite it being a way of life highlighted by many scholars (Weir, 2001; Weir, 2003; Weir & Hutchings, 2005). For example,

Wasta thus also involves a social network of interpersonal connections rooted in family and kinship ties. Involving the exercise of power, influence and information-sharing through social and politico-business networks, *Wasta* is intrinsic to the operation of many valuable social processes, central to the transmission of knowledge, and the creation of opportunity (Hutchings & Weir, 2006b:278).

However, interference in the recruitment process (P 3, 2015) even with the establishment of a Board of Directors for each SBU, that include the new owner's representatives who oversee the recruitment process, has altered the practices used in the recruitment process by over-ruling the role of HRM. Moreover, in the units that have not been privatised and are still owned entirely by Saudia, *Wasta* is even more

prevalent and stronger, as the public sector regulations and rules have allowed much interference and nepotism.

P 15: I am telling you, the privatisation gave powerful people the chance to hire and promote their relatives. The opportunities came as people retired and many managerial positions became vacant. These powerful people grabbed the chance to promote their relatives to fill those positions. That is, even when they do not have the right qualifications or experience. If you complain, it is you who will lose your job. To me, the sad thing is there is nothing, absolutely nothing that can be done about it.

Consequently, Weir and Hutchings (2005:96) suggested: "...it does not seem that these [changes in HRM practices, particularly Western ones] have in general altered the patterns of promotion and organizational ascent, and many well-trained young Arab managers are consciously frustrated by this".

A misconception still prevalent throughout SOE concerns the notion of doing good to and for one's own relations. As highlighted in Chapter 3, Islam teaches us to favour our kindred. However, the biggest misconception is that this should apply only to a person's own wealth and belongings, as Islam teaches that we start from the people who are our family, then our tribe, then donating to the poor and needy. However, culturally Saudis believe that if a vacancy exists, they must look to help their kindred, and if challenged, they will reply (referring to a common aphorism). This translates to "charity begins at home" and "family comes first". Many Saudis have the misconception that this statement is a hadeeth, which was conveyed by Prophet Mohammed (PBUH). This is incorrect, according to the Forum of the People of Hadeeth (*Ahal Alhadeeth Furom*). In fact, the hadeeth narrated that

The Prophet [PBUH] said to Abu Talha, "I recommend that you divide (his garden) amongst your relatives." Abu Talha said, "O Allah's Messenger [PBUH]! I will do the same." So Abu Talha divided it among his relatives and cousins.

Consequently, people in SOEs tend to feel as if they own the firm where they work. This, in turn, makes them feel that they have the right to make decisions and favour their kindred, even if it is not the best decision for the business.

Ma'sumi (1972:217) stated

"Surely Allah enjoins the doing of justice and the doing of good (to others) and the giving to the kindred, and He forbids indecency and

wrong and oppression; He admonishes you that you may be mindful (16 al-Nahl: 90, 101)... "Then give the near of kin his due, and to the needy and the way-farer; this is best for those who desire Allah's pleasure, and these it is who are successful (30 al-Rum: 38 p. 89)... "Believe in Allah and His Apostle, and spend out of what He has made you to be successors of; for those of you who believe and spend shall have a great reward. (57 al-Hadid: 7, 10 p. 99, 101).

All teachings of Islam point to a wealthy person having the right, by ownership, to distribute his wealth or give it away. Yet, this over time has become misinterpreted, so contradictory when applied to public sector employees, who abuse their authority by favouring, then hiring their kin, whilst justifying their actions by saying they are following the teachings of Islam.

PART III

7.5 Saudia's Employees

Previously, this investigative research study has considered the privatisation imposed on Saudia and alluded to the associated changes that manifested to transform the organisation from public to private sector. Anecdotal evidence portrayed how privatisation has impacted upon Saudia and how change was manifested and evolved throughout the transformation process from the public to the private sector.

Presenting the impact privatisation has had on employees is important as it demonstrates the complexities, barriers and challenges within the organisational context. Consequently, the third pillar of this investigative research study demonstrates the extent to which employees were greatly affected by the privatisation and the change process that the company has undergone. The change affected employees in a variety of ways: impact on their careers; their feelings and attitude towards work. In addition, key challenges emerged, reflecting the complexity of the current situation and the dilemmas that co-existed within the organisational context. Figure 7.8 below illustrates employees' views on these key areas.

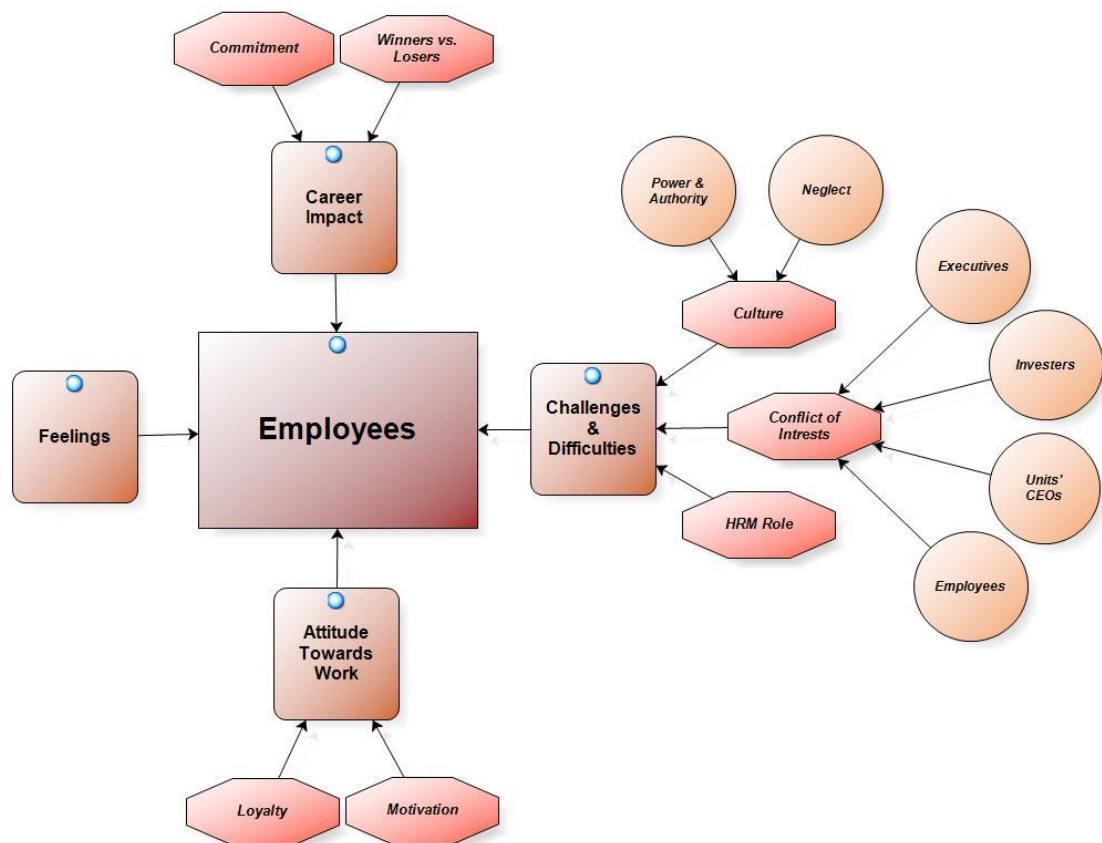


Figure 7.8 Employees and associated areas of significance

7.5.1 Career Impact

Employees' careers were severely impacted throughout the privatisation process. The early years of the project (2000-2006) did not see much effect on the employees, except for top-ranking employees, who did not favour the elimination of the EVP positions, as it hindered the advancement of their careers. However, in 2006, the new DG proposed four options for the employees; thus, people were eager to see them and waiting for what would come next (P 15, 2015). This was because the proposed options were viewed as 'a dream come true'; employees saw them as maximising their gains. As a result of these options, the first group of around 4,000 employees applied for early retirement through the GHS in which they received a cash amount for the remaining period of their service (P2, 2015). The second group of employees looked at the option of early retirement and re-contracting with the new firms, giving them a minimum increase of 50% monthly income. This group comprised the majority of the workforce (P 10, 2015). The third group consisted of a minimal number of employees who chose

to remain working within the public sector by transferring from Saudia to another SOE (P 27, 2015).

To address the overstaffing issue, the first step taken by the DG and higher officials was to finalise the GHS and complete the retirement process of those employees in the first group, thereby reducing operating costs (P 24, 2015). The second group of employees waited in anticipation for the commencement of the process to apply for early retirement and sign new contracts with the new firm as private sector employees. However, due to obstacles and financial constraints, such an option was never approved by the government, so withdrawn (P 30, 2015). The outcome devastated employees as many were considering applying for the GHS, but considered this option would be more valuable to them, so they chose to stay and continue working in the company (P 9, 2015), resulting in strong feelings of huge loss and betrayal (P 27, 2015).

The end result was that most of the employees wished that they had applied for the GHS, as many pointed out (P 2, 2015). Unfortunately, the consequences of not delivering on this promise led to deteriorating employees' morale and motivation, from which the company has not been able to recover since then (P 25, 2015). However, the overall impact of the change and privatisation had been constrained by the issuance of the royal decree that banned employee layoffs or tampering with their benefits, which could have intensified the effect on the employees.

However, the feeling among employees that many had benefited from the change while others did not lead to a division within Saudia into two groups; winners and losers. The former represents those who gained and benefited from the change process, whilst the latter strongly felt that they had lost by having achieved no gains from the change process, which drastically affected them.

7.5.1.1 Winners vs Losers

The GHS approved 4,000 employees to leave the company, of which many were in managerial positions that were desired by others and needed to be filled with a new manager. Consequently, '...many employees targeted those vacancies, got promoted whereas many remained in their positions. So they had their dreams get shattered' (P 18, 2015). Betrayal, depression and disappointment ensued (P 25, 2015) when the last two options became void and the GHS was stopped.

Similarly, another contentious issue arose, i.e. the DG promoted his first line executives to higher grades causing a huge rift with employees who remained in their posts without any gains. According to P 20 (2015), "... they realised that they had believed in a myth and that they had lost out in this deal."

This resulted in division among the employees into 'winners and losers': a term frequently used among the staff (P 12, 2015), so a negative perception of privatisation quickly spread (Birdsall & Nellis, 2003). Similar conditions and results have been reported in other countries, such as in Russia, Sri Lanka, Uruguay, South Africa, and 17 countries in Latin America (ibid).

Despite public sector employees being protected from termination of contracts through a royal decree, they lost trust in their management (P 29, 2015) and faith in privatisation (P 26, P 28, 2015). Their morale plummeted as others were promoted based on *Wasta* (P 10, P16, 2015) rather than upon abilities and competencies (P 4, P 6, P 15, 2015).

P 17: You today are telling the people to keep on working without giving them any incentives or motive to stay or work, particularly the people in lower levels of the organisation. What adds to the criticality of this situation is that they see higher-level staff getting the big promotions and far better positions without having ability or experience. And nothing has happened to them. They get nothing. This is a very depressing condition that I have to deal with when I meet with these people.

As highlighted previously, the absence of a team or a mechanism to monitor or evaluate the soft aspects of HR, as suggested by Bovey and Hede (2001); Arendt et al (1995); New and Singer (1983), resulted in the manifestation of a multi-layered and interwoven context in Saudia. Yet, despite employees lacking motivation and with low morale resisting these changes, leaders still expected them to reach company's goals and fulfil its objectives.

Such a context seriously affected employees further in terms of their level of commitment to the organisation and future planning.

7.5.1.2 Employees' Commitment

The impact on the employees adversely affected their commitment, as most participants (26 out of 32) highlighted that they would leave Saudia when better career opportunities came along. Obviously, with hindsight, the present situation now contradicts their initial

enthusiasm for Saudia, which had have been dream to many. As P 19 (2015) stated, "... joining Saudia was a dream come true when we were studying at the university". Now, however, participants indicated a very strong sense of disappointment and dissatisfaction with the current situation. "...people outside the organisation show that they are proud to be a Saudia employee, yet, once they step inside their offices or hangars, they are disgusted and feel so sick they just want to leave" (P 28, 2015).

Similarly, as Parker (1995a; 1995b:55) highlighted, "...privatized companies have pursued new ways of maintaining and improving staff commitment". Nevertheless, in the case of Saudia, there had been a total absence of actions and steps by its management to strengthen employees' commitment. Dissatisfied employees saw no clearly defined career paths or future, as *Wasta* was the dominant medium for career progression, rather than competences and abilities.

P 23: I would definitely leave to working here for a better and a more professional organisation that has a better understanding of the concepts of career-paths, talent development etc... as it is very sad that these things do not exist here and *Wasta* plays a major role in career progression.

Others saw privatisation as no more than a theoretical concept that had no effect on their careers or work, as many indicated that nothing had changed, particularly, at lower organisational levels (P 10, 2015).

Some directly linked their commitment to the outcomes of the privatisation project with their personal gains, rather than their commitment to the organisation.

P 12: For me, it all depends on what happens. I would like to continue here at least until things become clear and the privatisation project is completed. Then see what to do.

In contrast, Fedor et al. (2006:1) suggested that commitment is influenced by a "...[three]-way interaction between the overall favourableness (positive/negative) of the change for the work unit members, the extent of the change in the work unit, and the impact of the change on the individual's job". This results in employees favouring change, so their commitment will be influenced positively, whereas, if employees' perception were mostly negative, this would lead to reducing their commitment to their organisation and all changes.

However, a few participants conveyed their commitment to Saudia, even with the current conditions, as they believe that what the organisation is going through is normal and expected (P 18, 2015). Nonetheless, it is important to point out that, other participants rejected this comment as they highlighted, on the one hand, that the above comment was made by an individual who had progressed to a higher managerial position since the start of the project (P 3, 2015), and so he benefited from the change. On the other hand, some argued that it came from an employee who had access to information which enabled him to look at a bigger picture from a collective point rather than as an individual who had no access to information (P 8, 2015), or a recipient at the end of the decision making process, as highlighted by scholars. For instance, organisational change can be conceived differently by individuals within the same organisation based upon their organisational level or position (Burke & Litwin, 1992; Goodman & Rousseau, 2004; cited in Fedor et al, 2006).

7.5.2 Feelings

During the interviews, employees tended to hide their feelings. However, as the interview sessions progressed and participants felt more comfortable, their feelings, emotions, and reactions became evident. The feelings they displayed were based on the different situations they had faced or witnessed.

For instance, due to the development of a discouraging environment, employees became dissatisfied with the lack of information and clarity of the situation, which resulted in increasing the levels of anxiety and stress employees felt.

P 29: Man, something is so wrong. I do not understand why we are in such a mess. You know I am [an official], well if you come and see us, you would laugh [Ha! Ha! Ha! Ha!]. Total and utter chaos.

P 20: Unfortunately, they [top officials] do not understand or they do not think about how things are turning out for us to be this way. They do not seem to have any idea of the magnitude of the radical changes that we are undergoing. So, they just keep using old concepts and ways of managing the project and us. It is unbelievable.

Such comments alluded to the level of chaos and consequent anxiety that employees felt. These parallel the different aspects that scholars (Hultman, 1995; Dent & Goldberg, 1999; Bovey & Hede, 2001; Bordia et al., 2004; Fedor et al., 2006) have highlighted in regard to the link between uncertainty, anxiety, and work satisfaction employees face during times of radical change.

Further, the transformation process and implementing the change resulted in some employees feeling that they had been unfairly treated (P 29, 2015).

P 32: Can you imagine, many employees come to my office so desperate as they are being treated unfairly by their superiors, because they have been passed by many times, from getting training or promotion.

These comments are directly linked to *Wasta*: issues of accountability, abuse of authority in side-lining a person or depriving a person of what he believes is rightfully his; eliminating competition by bullying the opposition; trying to force a person to transfer or retire, in order to give his position to someone else. This research into Saudi employees' perceptions of unfair treatment parallels the comment by Harbi et al. (2017:11) that "...the majority of participants, perceptions of injustice and unfairness are linked to their sense of bias in favour of family and tribal relationships".

Equally, many participants reflected various levels of frustration, as some banged on the table, whilst others expelled loud sighs during their interviews. Such signs of frustration suggest the depth of impact these employees endured.

P 28: Can you imagine, without any official order, they marginalised me for ten months? I get paid for drinking tea and reading newspapers [banged on the table]. No one asks or even says how come this person has nothing to do? I am telling you, nobody cares. They only care about their interests, not the company.

Conversely, some responses reflected a strong sense of loyalty, belonging and attachment these employees had for Saudia, whilst at the same time, the form of change resulted in a situation that they were disillusioned and dissatisfied with. Throughout the transformation process, such aspects contributed to employees being divided into 'winners and losers'. Nelson et al. (1995:68) reflected

Research indicates that during periods of extreme upheaval and uncertainty, such as in this study of the privatization of a major public sector organization, levels of job satisfaction, mental and physical health seem to decline significantly. It appears from the data that this decline is greatest for manual workers, who showed significant reductions in job satisfaction, mental health and physical health. Staff or white-collar and clerical workers were found to have significantly lower levels of job satisfaction and higher levels of mental ill-health, but showed little change in physical or psychosomatic symptoms. Managers, on the other hand, also reflected significant declines in job satisfaction.

Throughout all the turmoil and chaos, another emotion that divided opinion was ‘hope for the future’. Some participants held a positive attitude, yet, it was argued that they were the ones, who had benefited (winners) from the change.

P 24: I know, please believe me when I say things will get better. Just wait and you will see it too. I got promoted

Others (losers) held a negative attitude, so did not favour the implemented changes to their workplace. Fedor et al. (2006) suggested that such people would be less committed, as they held negative views about their futures.

P 28: Initially, they gave people hope and made them dream of better working conditions. But once they were not able to deliver on their promises, people lost all hope. Our dreams were just crushed.

As a result of the way employees felt about the change and how the organisation was to be run, along with the information individuals received, conflicting attitudes developed throughout the organisation.

7.5.3 Attitude towards Work

Due to discouraging complex conditions, employees’ attitude towards work was greatly affected. Adherence to the teachings of Islam encourages people to work and earn their living in an honest way. This should motivate employees to give their best.

The *Qur’an* says:

Whoever works righteousness, whether male or female, while he (or she) is a true believer (of Islâmic Monotheism) verily, to him We will give a good life (in this world with respect, contentment and lawful provision), and We shall pay them certainly a reward in proportion to the best of what they used to do (i.e. Paradise in the Hereafter).

Further, in the hadeeth of Prophet Mohammed (PBUH), “Allah loves someone who works, he performs it in a perfect manner (*itqan*)”. Thus, these teachings motivate people to work, then they will be rewarded by God. Consequently, many participants followed such teachings when performing their work and duties, although with little enthusiasm and willingness.

P 15: I work to the best I can, for the sake of Allah.

P 7: Although disappointed, many of us are working and perfecting our work so being good Muslims by adhering to the teachings of Islam.

Such comments show the adherence to the teachings of Islam and the influence of religion upon human behaviour. As Branine and Pollard (2010:10) explained,

Whatever task a Muslim performs is carried out with the intention of worshipping God, earning a suitable (*halal*) income and living a good and respectable life. It is in this doctrine of seeing work as a social, economic and religious duty for every Muslim who is able to work and that humans are trustees of God on earth that employee relations are based and management is conducted in Islam.

Nevertheless, most employees' general attitude was 'numbed' as they waited in anticipation for what will happen. Those who had lost hope were determined to leave as soon as they had a chance to (a) apply for the GHS if it came back, (b) retire or (c) find another suitable job elsewhere.

P 9: To be honest, many of us are just waiting to see what the outcomes of the new structuring are. So to tell you the truth, many have said that they will keep on working in a way to keep things running, but no changes or improvements will be initiated until they see the decisions that will be taken by the DG.

The rest could not reach a decision, so maintained the status quo, but working at a slower pace, to enable them to decide what is best for them once the situation became clearer.

However, a very few officials claimed a slight improvement had been reported, so they were hoping this would increase with time, while others stressed that they were working, because they truly believed that they could still contribute to the organisation.

Additionally, two specific factors were identified, which influenced employees' attitude towards work: loyalty and motivation.

7.5.3.1 Loyalty

Many participants stressed that Saudia had played an instrumental role in their lives as it had sponsored several training and education events, which led to their personal development. This stimulated them to bond with the company as they felt that it had encouraged them to achieve by offering opportunities. Such bonding and recognition

were fundamental to many employees' willingness to absorb the impact of the change and hardship they had faced:

P 7: A very long line of people are still serving Saudia and I swear to God that they are doing this only because of their loyalty and gratitude to Saudia and the Kingdom.

Similarly, King (1987:19) stressed that "...one of BA's greatest strengths was the pride that the vast majority of the employees had in the airline. What they lacked was the spirit of enterprise and an understanding of the meaning of profit".

It is essential, however, to acknowledge that there are two types of loyalty that coexist within the organisational context of Saudia. The first is the bond and loyalty towards Saudia for giving employees the chance to learn and develop, whilst providing them with astonishing benefits and career prospects compared with other SOEs in Saudi Arabia.

The second type of loyalty is embedded within the Arabian culture, i.e. loyalty to family first, then to friends, and tribe members (Hutchings & Weir, 2006b). Once these are fulfilled, Saudia's interests would come second, which concurs with Harbi et al. (2017:5): "Arab cultural practice gives precedence to tribe, family and kin over the objectives of the organisation".

In the case of Saudia, employees' loyalty, particularly that of seniors, is unquestionable. However, it has been affected and shaken by the latest developments, as they felt that they had been alienated from the firm to which they had been loyal and belonged for a very long time:

P 15: Executives do not understand that we genuinely and deeply care for Saudia, which is the reason for us getting mad and angry as we see some of their decisions will do more harm than good.

Such statement reflects the deep loyalty and care that employees have for Saudia. Nevertheless, no actions or mechanisms have been put in place to foster such a bond and cherish it, which, again, could be attributed to the fact that most organisational change efforts focus more on technical aspects of change and omit aspect related to the soft and human side that could influence the change process (Hultman, 1995; Bovey & Hede, 2001).

7.5.3.2 Motivation

P 32 (2015) explains that, in 2014, eight years after the initiation of the project, the thrust and momentum that had been gained throughout previous years had vanished, while difficulties and obstacles, such as overstaffing, remained. Likewise, the decline in employee morale and motivation caused employees to take action, lawsuits against Saudia. They claimed that they had been treated unfairly and their rights had been violated. Some argued that most of the claims were because of the continued disappointments and mistreatment they were experiencing (P 9, 2015).

According to the published Employees' Guide to Privatisation (Figure 7.4), employees were promised that they would have the choice to retire early; be re-hired with at least the same pay with a minimum increase of 50% of their income; and their basic salaries would be increased based on their performance assessment. Again, none of these promises was kept (P 28, 2015).

P 4: People have had enough. Things have been accumulating since the start of the privatisation project and nobody is listening to them or their needs. So they started a lawsuit. To me, the suit is just a reflection of their voice that no one is listening to them.

As stated previously the situation employees experienced was complex, involving unfamiliar dynamics and tremendous changes so unfortunately, employees' morale and motivation deteriorated to the point that most people looked towards leaving the firm once a better opportunity came along or once GHS was reinstated (P 2, 2015).

P 18: in the midst of change, employees were overlooked. We took notice very late when their morale had deteriorated and performance reached low levels. Since then, many initiatives have been deployed, but unfortunately, we have seen very little improvement.

Such lack of motivation directly links to Public Choice theory, which suggested that people are "motivated primarily by self-interest" (Perry & Wise, 1990:367). The employees argued that they gained little from privatisation, expected loss of benefits if privatised (Table 7.4), were under pressure to increase performance and productivity levels, while they were marginalised and their views were not considered.

Consequently, an impact and reaction were only to be expected.

7.5.4 Challenges and difficulties

Improving employees' conditions and positively influencing them was crippled by many very complex unmonitored challenges and obstacles, through failing to acknowledge human influence on the change process (Hultman, 1995; Bovey & Hede, 2001). As Neal (2010) observed, "...alienating and excluding certain groups had resulted in lower organizational commitment and higher employee turnover; and that consequently the costs of management control and human resource costs were exacerbated".

Whilst it is fundamental to understand Islamic and cultural influences on management practices within the Saudi context as suggested by many scholars (Hutchings & Weir, 2006b; Branine & Pollard, 2010; Fawzi & Bright, 2013; Harbi et al., 2017), it is essential to distinguish between the teachings of Islam and Arab culture. As Branine and Pollard (2010:4) explained:

Many Western commentators on management in Arab countries tend to discuss Islam and Arab culture as a single entity. However, in reality Islamic teachings are generally standard and their interpretation and application are informed by local cultural forces (Fontaine 2008) which are often much more ancient than Islam itself. Some traditional and nationally based norms and values contradict the teachings of Islam.

Consequently, many challenges were identified that had key effects on privatisation, the change process, and employees.

7.5.4.1 Culture

The importance and influence of culture in an organisational context is crucial. According to Cabrera et al. (2001:16) "...organizational culture is a key construct in understanding and managing the behaviour of people within the boundaries of an organization and in implementing organizational change".

According to numerous participants, Saudia still faces many challenges related to becoming more customer oriented (P 24, P 28, 2015) and effective utilisation of HRM's role (P 11, P 30, P 32, 2015), and anticipating employees' influence on change (P 3, P 12, P 20, 2015) as to-date there has been little change in Saudia's organisational culture. They thought the solution lay in well thought-out focused programmes sufficiently strong to effect change as and when necessary. Miles et al. (1978)

postulated "...if necessary, while deploying resources and putting time and efforts, management can move to influence and shape organisational culture".

According to P 1 (2015), the new DG (Eng. Almulhim) worked and took decisions quickly, whereas, other VPs and directors were lagging. This was attributed to the DG coming from the private sector, whilst his VPs and executives had only worked in the public sector their entire working life. The cultural norms embedded in the public sector meant that employees were accustomed to slow progress and long decision-making processes. Their orientation had always been to service rather than commercial gains and profitability. Such cultural attitudes did not change much during this period. As a result, the DG faced a culture and regulations that severely hindered him from discharging or replacing VPs, whom he considered to have insufficient experience, as public employees could not be discharged easily (P 5, 2015).

Such statements reflect the differences in attitudes between the public and private-sector organisational cultures. As asserted by King (1987); Boyne (2002); public firms were burdened by bureaucracy resulting in an inability to react quickly to market demands, whilst, Martin & Parker (1997) identified how the Principal-Agent theory played a role in the flow of information and the levels of decision-making processes associated with both public and private sector.

In regard to organisational culture, Weir and Hutchings (2005:89) articulated, "...all management behaviour takes place and all management attitudes are rooted in a specific cultural context". In Saudia's case, the utilisation of *Wasta* was, therefore, still a major cultural aspect being utilised. Additionally, Hofstede (2001) highlighted other cultural features pertaining to Saudi Arabia, also identified and emphasised by participants, i.e. usage of authority and power distance.

(A) Power and Authority

In the Saudi context, power distance, according to Harbi et al. (2017), meant that employees avoided disagreeing with their superiors or those in power, so accepted unjust inequalities. Subsequently, employees' fear of disagreeing with their superiors was a major challenge to facilitate and implement the transformation process, especially as the change approach was more of an emergent approach than systematically planned. Therefore, numerous mistakes, errors and bitter encounters were experienced

throughout the transformation process, before more reasonable solutions were considered.

For instance, two incidents cited by participants, in which other forms or counter-arguments to decisions were highlighted, yet, employees were still unwilling to challenge their leaders' decisions.

P 10: He [the DG] issued a directive to use a biometric system to record employees' attendance. This is an external change imposed without any consideration or thought or involvement with employees. What is important is what is inside the employees' head and their feelings. Without this, it is not going to work. Biometric scanning does not mean we have been privatised. The executives should think about reflecting privatisation inside the minds of the staff and not just externally.

Many aspects of employees' behaviour were related to the fact that people do not like to be seen as "the bad guy" who opposes and challenges leaders. Equally, no one wished to lose their jobs by being seen as a trouble maker. Further, proceeding down the levels of command, employees relied on cultural norms to follow orders "I am a servant who was given an order".

Accordingly, employees tended to follow orders rather than challenge them, as they believed they were following Islamic teachings. In so doing employees had the misconception that they must not question leaders, although the *Qur'an* instructed the Prophet (PBUH) to consult with his companions, as it states "and consult them in the affairs" (Alan'am, 7:159) because consultation '*Shura*' is key when decisions are to be made in regard to people. Moreover, many hadeeths and anecdotes demonstrate that the Prophet Mohammed (PBUH) sought his companions' opinions on several occasions.

A major characteristic of the Prophet's [PBUH] administration was *Shura* or consultation because he consulted, listened and followed his companions' advice in a number of matters which were not specifically stated in the revealed Holy *Quran* (Branine & Pollard, 2010:9)

The above is indicative that embedded cultures have strong control over employees, even if their leaders' decisions are not in their best interest. The findings in this respect are consistent with Hofstede (2001) observation that embedded cultures facilitate and actually foster the ability to use *Wasta*, as well as other forms of authority throughout a firm.

The cultural milieu of each Kingdom in which Islam is incorporated and interpreted makes for significant variations, so much so that, in some instances, national management practices actually conflict with the teachings of Islam” (Branine & Pollard, 2010:17).

(B) Neglect

Negligence, although not directly linked to culture, can be a manifestation of it insofar as, in cultures characterised by high power distance, collectivism, and uncertainty avoidance, such as Saudi Arabia (Bjerke & Al-Meer, 1993; Hofstede, 2001; Harbi et al., 2017), leaders and officials can embark on an area where they have little or no expertise or experience, resulting in their getting tangled in the predicament of sharing inaccurate information, and offering options that are not feasible. This was the problem that escalated in the case of Saudia, e.g. employees began planning their careers and decisions according to the Employees Guide to Privatisation (Figure 7.6) issued by the new DG (Eng. Almulhim). As stated above, problems arose, making it impossible to deliver the published options, which led to employees losing trust in their managers.

P 16: People felt the backlash as their executives were not able to deliver on the promises, which they made..... so Royal Decrees were issued, which contradicted what the DG had initially proposed. People just lost all faith and as a result, their motivation just went downhill.

A serious lack of planning contributed to the loss of trust, as

employees wished to know, for example, whether the organisation would be disaggregated and privatised, but management was not in a position to provide satisfactory answers... The dilemma for management was whether, on the one hand, to admit to not knowing and thereby appearing not to be in control, or on the other hand to make statements which would only add to the confusion and uncertainty. Management chose the latter (Nelson, 2003:22).

In Saudia’s case, the management had adopted a strategy of avoiding answering employees’ questions, which in turn brought serious criticisms and discontent.

P 25: Sadly, I cannot tell you what the MD is doing. He does not share anything with us, unfortunately. We do not exist. We are invisible. Do your work and keep quiet. Make no problems.

Therefore, the lack of information opened the doors for false rumours and gossip to circulate throughout the organisation, being particularly concentrated in lower organisational levels (P 31, 2015). Many answers were linked to political issues, as privatisation as a strategy lies “...in the hands of the government. Unfortunately, this

produced uncertainty and gave support to rumours, which again impacted negatively upon management” (Nelson, 2003:22)

7.5.4.2 Conflict of interests

Privatisation implications raised many concerns with regard to conflicts of interest. Boudjellal (2004) cited in Dredge (2010:105) argued that driven by Islamic teachings “...a key role of the state is to protect and enhance public interests”. In terms of welfare, ownership, and policies, in Saudi Arabia’s collectivist culture (Hofstede, 2001; Weir & Hutchings, 2005; Harbi et al., 2017). Boudjellal (2004) asserted that the government, therefore, exerted its efforts in making decisions that would satisfy the collective good of its people, whereas, Van de Walle (1989); Shirley (1991); Birdsall and Nellis (2003); Connor (2003) acknowledged that certain groups lost out. As a consequence, some participants highlighted concerns that privatisation led to increased prices, employee layoffs, and the pursuit of commercial advantage, which were seen as not in their best interest.

From the collated data on conflicts of interest four different groups of stakeholders were identified (Saudia Executives, SBUs, Units’ CEOs, and Employees) demonstrating various contradictions related to decisions taken in the transformation process.

With regard to self-interest, P 11 (2015) stated that “...everyone has his own agenda and interest”, P 3 (2015) recalled that, once positions became vacant that were approved under the GHS, employees reacted quickly and swiftly to secure their ‘share of the pie’ in order to increase their gains from the privatisation process. Such conflicting interests were manifested in a complex way that negatively affected both the employees and Saudia, because “we were not united under a common goal or cause; everyone was looking for his interest before the company’s” (P 16, 2015).

(A) Saudia Executives

In senior management, these conflicts of interests were fuelled because the DG was pressured to demonstrate progress in the privatisation project. This was considered the reason for the vast initiatives designed to get employees to blindly accept the proposed changes. Nevertheless, the DG was challenged by affiliated agencies, who could not accommodate his ambitious plan due to financial constraints under government control (P 7, 2015). This ties in with the views quoted above that many decisions were

politically linked, and so lay “in the hands of the government” (Nelson, 2003:22). Moreover, different DGs (from public or private sectors) had their own interest in accomplishing set targets and living up to the trust vested in them by the government, rather than the needs of employees.

(B) SBUs Investors

New owner’s and investor’s interests lay in maximising their commercial gains and profitability (Vickers & Yarrow, 1988; Jackson & Price, 1994). As the new owners had invested heavily in acquiring shares of their sought after units, their main goals were self- interest geared towards reducing expenditure, increasing profits, and most of all compliance with requirements to have their units listed on the Saudi Stock Exchange. This would bring a quick return on their investment.

However, such goals were not easy as most SBUs were not profit-oriented, so changes became inevitable. P 15 (2015) highlighted, once the sale took place, the focus of the investors is to get the unit ready for IPO, as they seek to get back the money they invested. Also, they sought to take control of the unit, as P 31 (2015) explained:

Once the new investor joins the Board, they start pushing for hiring new people in key and sensitive positions. This is done so that they can totally control the decision-making process. This issue has raised many conflicts, as people that have been working for a long time within the units believed that they had the right to be heard or hold these positions.

Nevertheless as Schulze et al. (2001:102) highlighted

A powerful owner might veto a new venture because it threatens the status quo, entails too much effort, or is not in their personal financial interest (Jensen and Meckling 1976, Wright et al. 1996). And, because power is not symmetrically distributed within a firm, an owner can engage in exploitive behaviour towards subordinates.

Thus, the reality reflected clear conflicts of interest, because finding SBUs were unprofitable, investors geared all their energies towards achieving returns on their investments as quickly as possible. Therefore, most investors’ prime focus was putting their gains before the SBUs’ or employees’ needs, as to limit agency costs they “cut their losses simply by selling their shares” (Schulze et al., 2001:101).

(C) Units' CEOs

The newly established SBUs' CEOs were still public employees, so had far lower-paying positions compared to their private sector counterparts (Abd Al-Kader, 1959; Jurkiewicz et al., 1998), As Burgess et al. (2017:F125) note, "public sector jobs pay less than private sector jobs". Consequently, bearing in mind the increased workload, and responsibilities, many refused promotion, as the pay scale did not match the required responsibility.

P 9: I know that, when he [a colleague] was asked to be the CEO of the unit, he refused as the pay increase is about SAR 5,000, which is not worth it. Can you believe it, all the headache and responsibilities for 5,000 increase?

Such statements can be clearly linked to the Principal-Agent theory. Such conflict of interest and the absence of a mechanism to give incentives to public agents (managers) to exert more efforts to increase the gains of the owners (Jensen & Meckling, 1976; Martin & Parker, 1997), resulted in some CEOs furthering their gains through the utilisation of their authority and powers to influence the decision-making process by promoting or hiring friends and relatives (exercising *Wasta*). This also gave them advantages outside the firm, with broader usage of *Wasta* within the community. Therefore, SBUs' CEOs would serve their own interests by furthering their gains, to compensate for the low pay scale, when compared to industry standards (P 8, 2015). This conflict of interest was achieved by increasing their gains "...through more authority, power, and benefits by holding a higher organisational level, which allowed him to get better benefits; medical, travel, and housing allowance at the expense of the workforce" (P 27, 2015).

In addition, there is the objective of remaining in the position as long as possible, as with the sale of the units, the possibility of recruiting a new CEO arises. Thus, the threat of losing the position could lead to some CEOs resisting or making counter actions to force or persuade their superiors to retain them in the position.

For instance, P 21 (2015) explains that

keen officials tend to prolong the changes that affect them, as they understand that the new DG, with time, would be immersed with other problems and operational difficulties that would make him see those initial changes of less importance as to the new and persisting ones. Consequently, the DG will be forced to loosen his grip and

aggressiveness, as he would need the help and support of those people in critical places to manage the organisation.

A further identified tactic was for CEOs to make themselves indispensable to the new owners and other top-level officials, who were immersed in other problems and operational difficulties, as frequently they came to office with little or no previous experience (P 6, 2015). In contrast, CEOs and people in key positions held relevant knowledge that was needed to keep the business running. In other words the CEOs become more powerful, as new owners needed their help and support to run the units, consistent with Marsh (1991) claims that, with time those with the “know how” would be able to work their way into a strong position to counteract the initial objectives and goals that were initially set.

P 19: relaying a problem that we faced, the CEO advised officials that the corrective action is to re-assemble the division in the same way as prior to the privatisation. So, he was approved due to the need to resolve the problem.

(D) Employees

Many participants admitted to their self-interest in seeking better pay, benefits, job security, career progression, and development, because senior management was stating one thing then taking what was perceived as detrimental decisions, damaging the workforce.

P 13: I took him [the DG] aside and I said, “I should tell you that the employees will not be happy with the freezing of their promotions”. He replied to me, “I am thinking in a different way. We have to reduce our operating costs so our services will be appealing to other customers”.

The results have, also, shown that employees in Saudia wanted to have better pay and benefits, which is common, as Estlund (1992:958) stated: “...Wages and benefits are necessarily foremost among the concerns of employees”. Equally, those with sincere loyalty and interest in the company and its future felt pride in working in it so could not accept double standards, i.e. conflict of interests by top-ranked officials. Many wanted the company to flourish and improve in its services and status to reclaim its previous top ranking among other operators (P 15, 2015). Responding to such sentiments Estlund (1992:952-953) asserted that

there is overwhelming evidence that workers want to contribute meaningfully to a socially productive enterprise, to produce high-quality goods, and to deliver a valuable service. Some work experiences satisfy the deep-seated desire to identify with and take pride in the product of one's labours, resulting in enhanced "job satisfaction," morale, and productivity.

Further, as numerous employees displayed sincere attachment, gratitude and loyalty to Saudia, to which they attributed everything they had achieved to date, they were deeply concerned about its future and felt that their views were not listened to and included in the decision-making process.

P 3: When decisions were taken to promote executives to their next higher level, such decisions were criticised as they saw it conflicting with the goal of reducing the operating costs. Therefore, they felt it was hypocrisy, as reducing expenditure would only be a goal if it was related to low-level employees and not to executives.

Those employees sought respect and to be treated as part of the company. Many scholars have warned that if such respect was not granted, it could lead to resistance to change (Hultman, 1995; Dent & Goldberg, 1999).

Also, employees expressed concerns related to the operation and future growth of the airline, to which they had a strong loyalty, as well as to decisions which were perceived as not in the best interests of the company.

P 2: We were expecting to see decisions aimed at the development and future growth of the company, nonetheless, we noticed decisions geared heavily at only reducing expenditure.

Along the same line, Estlund (1992) reported that in other cases, employees had shown disagreement with management when decisions were taken that affected the quality of the products their company made "...to the extent an employer's actions and policies undermine its employees' ability to meet professional standards, the employees may deem themselves obligated to criticize and to attempt to change those policies (950-951).

7.5.4.3 HRM Role

Many researchers have stressed the importance and strategic role which HRM can play in organisations' success (Kochan & Dyer, 1993; Tayeb, 1997; Namazie & Tayeb, 2006; Suliman, 2006). Nevertheless, in Saudia's case, HRM was ineffective. As P 32

(2015) highlighted, “the HR department is totally marginal”. Participants indicated that since the commencement of the privatisation project, the HRM department had started, slowly, to learn and assume its presumptive role. Nevertheless, learning and coping with the new role has been lagging and not living up to the expectations, as many participants expressed their disappointment with issues relating to their careers; such as promotions and career-path. Such viewpoints were shared by Mellahi (2006:114):

HR managers had to learn new skills and, perhaps, unlearn some old practices. They should put more emphasis on motivation, employee rights, HRD and retention when employing Saudis than old habits such as coercion, threat and punishment.

However, it is important to accentuate that the marginalisation of HRM had disturbing implications for all dimensions of this research; privatisation, the change process, and employees. The HRM role in the privatisation project was primarily to address the overstaffing issue, as it was required to oversee and execute the proposed solutions, which included the GHS, by following the established criteria (see 5.4.6.1).

However, several key areas that required HRM involvement were not addressed so negatively affected employees, causing them serious detriment. For instance, there was a lack of attention to managing the employees (7.3.10), work environment (7.4.1), employees’ career (7.5.1), commitment (7.5.2), and attitude towards work (7.5.3), while, lack of communication and alienation of employees had contributed to the very complex conditions that Saudia is facing currently.

As Nelson et al. (1995:68) stated, “A climate of secrecy and a lack of communication and consultation can lead to poor morale and job dissatisfaction as employees contemplate the move from the public to the private sector”. Similarly, Dzakpasu (1998:7) asserted that “...privatisation often resulted in low morale of workers and management caused by uncertainty of future employment”. Still, HRM failed to deploy any constructive counter-measures to reduce these impacts on employees or keep them updated.

Similarly, HRM totally failed to meet employees’ needs and rights, as no initiatives were made towards increasing employees’ knowledge and awareness about key aspects of the transformation that the company is going through.

P 8: I am saying even today, we do not get the meaning of moving from public to private sector. We do not understand the differences

between working under the public or the private sector as everything is still the same. Nothing has changed.

Yet, it has been suggested that “employee training and development are parts of human resource management activities which, if they are linked to the strategic objectives of an organization, contribute effectively to the achievement of these objectives” (Fawzi & Bright, 2013:60).

Moreover, it is clear that people did not share the same vision and had not known where the change is taking place and why. Some participants acknowledged the change taking place while others did not, in fact, they insisted that the change did not happen (see 7.4.3.1). This dispute resulted in the division of the organisation into two groups (up and down). On the one hand, some people supported the change as they had access to information, hence, have a clearer picture of what was happening, while, others lived with uncertainty and were getting affected accordingly. In a similar case, in the privatisation of BA, King (1987:19-20), explained that to tackle this issue,

a [two]-day seminar was launched-‘Putting People First’ which, over a year period, was attended by all of our employees throughout the world. Captains were mixed with baggage handlers, clerks, managers and everyone else. Its principal purpose was to encourage staff to care about other people-be they customers, fellow employees or family members.

In evaluating this example, one could notice the period of running the seminar, which was one year. Also, attendees included all types of employees within different organisational levels, which promoted the sense of being part of the same company working for the same goals and objectives. This is in line with Dzakpasu (1998) suggestion that harmonisation between the staff will induce co-operation, and in turn, promote productivity.

Further, no mechanism was put in place to incorporate employees’ views, and concerns on the change and how it would affect them, which led to resistance, as some employees saw no added benefit from the change, and others did not agree with the decisions taken by higher management.

P 10: What is important is what is inside the employees’ head and their feelings. Without this, it is not going to work. Biometric scanning does not mean we have been privatised. The executives should think about reflecting privatisation inside the minds of the staff and not just externally.

Such view reflects the importance of educating the staff and having them engaged and understand change and its impact, which is highlighted by Kitchen and Daly (2002:49) as change is more about how people think rather than their actions, which form the link between internal communication and change management initiatives.

Also, resistance came as a result of the lack of clearly articulated approach in promoting the change, particularly when it conflicted with interests or a belief or cultural aspect that is deeply rooted within the organisation; such as the case of becoming customer-oriented. P 21 (2015) argued employees were concerned as to what will happen to them and how they will be affected by the change. In concurrence with such view, Cabrera et al. (2001:3) suggest that “one of the key determinants of organizational culture is the way in which the organization manages its employees, or, in other words, the organization’s human resource (HR) management practices”.

P 4: The approach used in the change process was top-bottom and I believe that it should have been a bottom-up approach. You want people to take part in the change process and not enforce it upon them.

Along the same line, Dent and Goldberg (1999:26) assert that “employees may resist the unknown, being dictated to, or management ideas that do not seem feasible from the employees’ standpoint”.

Therefore, particularly in the case of Saudia, with an engrained culture and having worked under public sector for more than sixty years, HRM faced a huge burden and challenge to change employees’ and organisational culture. Nevertheless, no clear plan or approach was mentioned throughout this research, to address these issues. Rather, Mellahi (2006:116-117) highlight that, in the case of Saudi Arabia,

The high power distance...is reflected in a centralized decision-making process and rigidly designed HRM policies. In group collectivism, loyalty to family and friends overrides loyalty to the organization and has an influence on several HRM practices. For instance, inequitable practices in recruitment, promotion and compensation are widely used in the public sector. The influence of Islamic values and principles are manifested in consensus decision-making styles, respect for authority and age and concern for the wellbeing of employees and society at large.

In addition, in the case of Saudia, HRM has no effective performance measuring mechanism. This, coupled with the deeply engrained culture, had resulted in wide use of *wasta*, which in turn led to the possibility of promoting unqualified people at the cost of

others who were better. Thus, it created a sense of injustice and frustrated employees that might lower productivity, as they saw no incentives or appreciation for their hard work. Many scholars have emphasised that in the Arab world, the loyalty to friends and family are of higher importance than performance and organisational goals (Hutchings & Weir, 2006a). Along the same line, in a study, by Harbi et al. (2017), of Culture, *Wasta* and perceptions of performance appraisal in Saudi Arabia, it was found that

what is relevant is the participants' belief that cultural constraints on challenging the performance evaluation of the manager are a Saudi Arabian phenomenon and an example of unfairness. The interviewees' perceived performance appraisal at SACO to be unfair. This perception was linked to a variety of issues around the process, the influence of personal and political relationships, *Wasta* and managers' interests and power (13).

Moreover, another critical HRM frailty was over-spotting "change agitators" (Stanley, 2006), change implementers, who are "responsible for carrying out the day-to-day change process (Shum et al., 2008:1348) mainly at the middle and line manager levels (Lunenburg, 2010).

P 20: I believe, they made a mistake when they did not get the employees involved in supporting the change.

It is suggested that change agitator's "role is to assist in the management of the change process and assist in the overall execution of the change agenda" (Stanley, 2006:6). Also, a vast body of literature touches on the key role that middle managers play in the change process (Kochan & Dyer, 1993; Dutton et al., 1997). Nevertheless, the middle and line managers' role in the change process was undermined in the case of Saudia. HRM did not distinguish between managers who embraced the change and those who merely sought promotion (Nelson, 2003:22), which in turn led to allowing unfit people to lead others, while they lacked the ambition or goal to enforce the new change.

P 4: I do not think that the executives know or even understand the role of the middle managers, because if they knew, they would not put those people, whom they have selected, into these positions. They lack skills in managing people and also do not even understand their roles or functions.

In reflecting on the importance of middle and line managers, Kochan and Dyer (1993:584) state that "line managers are an important source of support that needs to be garnered". Yet, again, *wasta* has contributed to the dilemma, as many middle manager positions became vacant as a result of the GHS, so people seized the opportunity to

promote their favourite candidates to those positions, regardless of their abilities or competences (P21, 015).

Nevertheless, a separation had developed that led middle managers to be put with the down team, while executives and top management are on the up team (see 6.2.1.1). From the middle manager's points of view, many emphasised that they were treated simply as tools and with little or no appreciation by higher levels of management. This led to disputes and the ruining of relationships within the units' structure. Many managers were angered as they claimed that they have been acting in the same position for many years, yet officials are not listening to their needs (P 18, 2015).

P 29: Nobody cares or wants to know about the pressure and problems we face daily, or just how difficult it is to work with them [subordinates] especially whilst we do not have any information, so we do not know answers to their questions.

In this respect, it seems that middle managers were positioned in a challenging situation; in order for them to get promoted, they would need to satisfy their superiors and manage their subordinates at the same time, while they were not considered as part of the circle that had access to information. Keeping the middle managers secluded led to them not buying into the change and reduced their commitment.

P 8: In my opinion, the isolation of middle managers has seriously affected the operation in a negative way and resulted in many problems throughout the organisation.

P 32: I see that we have a big problem in middle management. Whilst they are a key to the success of this project, yet no or very little attention has been given to their role.

However, the suggestions that many middle managers lack capabilities and competencies adds to the difficulties with regard to how they can be trusted and counted on to be part of the change force. Also, it is suggested that HRM could empower and raise the co-operation and engagement of middle managers to support and promote the change, as Cunningham and Hyman (1995:17) research results "show how the aims of a HR vision may, in practice, be curtailed by a failure to place line managers at the forefront of HRM change".

7.6 Summary

This chapter has discussed the findings pertaining to the privatisation of Saudia, reflecting on associated perspectives driven by theories, literature, Islamic teachings and the cultural context to the Arab world in general and Saudi Arabia in particular. The discussion was built upon the three pillars of the research study: privatisation, the change process, and employees. A clear focus was maintained on fulfilling the main research objectives: gaining an understanding of the implementation phase of the privatisation; how change was manifested and evolved through the change process; utilising a processual approach and reviewing employees' views on how they were affected by the privatisation and change process.

Key challenges and difficulties have been identified and discussed demonstrating the complexity and the context that was associated with the transformation process from public to private sectors.

The following concluding chapter (8) will summarise the key finding of this investigative research and its contributions, along with suggested future research possibilities.

CHAPTER EIGHT: CONCLUSION

8.1 Introduction

Limited research has been conducted that focuses on the MENA region in general and Saudi Arabia in particular. Privatisation is a phenomenon that has received considerable attention throughout the world, nonetheless, it is less explored and studied in that region. In Saudi Arabia, privatisation is in its early stages, yet much attention and focus have been given to it by the Saudi government, as it had been put at the heart of its newly and highly publicised national transformation initiative, “*Vision 2030*”.

A review of the literature shows that scant research has focused on the implementation phase of privatisation in general (Antal-Mokos, 1998) and particularly within an Arabic context, which features a unique management approach, with distinctive characteristics, that are yet to be discovered (Weir, 2001). Consequently, this research was structured on three pillars, which would yield much insight into the implementation of privatisation, the change process, and the employees within the privatised organisation. The three angles would show how privatisation was implemented internally, while the imposition of new changes was intended to transform the organisation from public to private sector and at the core of this context are the employees of the organisation, who interact with and express their views on the situational context that the firm goes through, and the reaction to different deployed actions.

Therefore, the case of the privatisation of Saudia provides a striking fit, for this study, as the organisation has been undergoing privatisation since 2000 and has not finished yet, which will show how change initiatives started and evolved since the start of the project. Further, the research took place in Saudi Arabia, which facilitates the investigation of a different context, in the less-explored Arab world.

This chapter presents the research conclusion. It is structured into three main parts. First, a summary is presented of the research findings, while fulfilling the research aims that centred on three main pillars; privatisation, the change, and the employees. Second, the research implications and contributions will be depicted. And third, a statement of research limitations and recommendations for future research are delineated.

8.2 Summary of Research Findings

The research findings presented in chapters 5 and 6, and discussed in chapter 7 will be summarised in this section. The summary will be presented in conformity with the three pillars of this study: first, privatisation; second, the change process; and third, the employees.

8.2.1 Privatisation

This category was the cornerstone of the research as it is the main activity that has instigated change within Saudia. Thus, all the research findings, in the other categories, are linked back to it.

The research aimed at exploring the implementation phase of the privatisation project that Saudia has been undergoing since 2000. The research shows that privatisation has brought much change to Saudia after more than sixty years of operation under the public sector. Privatisation projects in Saudia Arabia have been criticised for lagging (Akoum, 2009). Saudi Arabia is a country that has embedded unique norms and cultural aspects that affect the ways of conducting business when compared to other (particularly Western) countries (Weir, 2001). In contrast, privatisation is one of those strategies that have been adopted by many nations throughout the world, and in other contexts has been executed in less time frame than in the case of Saudia.

Even though the research context focused on the internal aspects (the implementation phase) within Saudia, nevertheless, several external factors have been identified as having much influence on the project. Externally, the government has been by far the most influential force on the project, particularly through providing financial support, subsidies, directing other affiliated agencies, and regulating and liberalising the market, which is similar to the experiences of other nations throughout the world. The findings have shown that the Saudi government had been committed to the privatisation strategy and has stood behind it. Nevertheless, a distinctive feature of the Saudi experience is the emphasis on maintaining the welfare of the employees, which was stressed by the government. Many privatisation experiences have shown that downsizing and layoffs have been among the main negative outcomes of privatisation throughout the world, yet in the Saudi case, the government was not willing to complete the privatisation project at the cost of the people, which led to the issuing of many orders and decrees to protect the employees (see 7.3.5). Also, critical decisions have been made by the government

that signalled and allowed Saudia to be free in making its decisions and future, reflected in the empowerment of the Board of Directors to appoint Saudia's new leader (DG) for the first time since its establishment sixty years ago. Further, it is clear, in the case of Saudia, that political conditions played a major role in the speed and attention given to the project, as the two Gulf Wars and fluctuation of oil prices influenced the government's attention and decisions on development initiatives within the country, due to the direct link to expenditure and at the same time, attracting foreign investors.

In addition, coordination and working with other affiliated agencies influenced the privatisation project, as those affiliated agencies are still public enterprises, and is still possess the characteristics of public firms, with much less attention to time and less focus on commercial gains, which Saudia is trying to pursue. However, the government's determination to see the privatisation through was instrumental in paving the way for Saudia to privatise. Nevertheless, the findings clearly show the absence of clear guidelines and process for implementing privatisation, either at the government level or at the organisational level, which is in alignment with the views of (Al-Sarhan & Presley, 2001).

Apart from the external factors, internally, several matters received mixed views from participants. They thought that efforts were not lacking, they seemed to be misplaced in terms of preparing for privatisation, managing the project, and managing the employees. Seeking advice and consultation were carried out by all leaders of Saudia; nevertheless, it was done only superficially, as no implementation support was encouraged. Further, the key point highlighted by some participants is that there was a failure to take account of the Saudi context and culture on the part of the consulting firms.

In managing the project, two main highlights have surfaced. The first was the splitting of Saudia into several smaller firms, SBUs, which was perceived as the reflection of privatising the company. This approach has been practised in other parts of the world; nevertheless, the main finding is that the split was perceived as indicating that the privatisation was accomplished and leaders celebrated the sale of the units as if the work was done. The second outcome came as a result of opening up the market, as two other companies started operations, resulting in increased rivalry.

Privatisation clearly impacted the employees directly, as there was a driving need to downsize, which is consistent with the experience of other nations. Nevertheless, the

case of Saudia differed in not allowing the discharge of redundant employees at any cost (see 7.3.10.1.). Also, Saudia utilised one mechanism in dealing with overstaffing, normally, through the GHS, which in turn, led to criticism of HRM for lacking the ability and initiatives to deal with overstaffing.

Utilising the processual approach in investigating the privatisation has demonstrated that Saudia has been moving through privatisation in general, yet inconsistently. The main drive has been the political conditions faced in the country. That aside, similar to other privatisation projects, initial estimates tended to be over ambitious as in reality, projects tend to be far messier and take longer than expected, which is clear in the case of Saudia, as the project started in 2000 and is still not finished. Moreover, data show that no mechanisms were put in place to utilise the momentum that had built from the first SBU sales. Indeed, with the slowing progress of the project and the emergence of various, such as overstaffing, competition, and division employees' among "winners vs losers", the project almost came to a halt. Despite that, a new target date for completing the project has been announced by Saudia officials, as the end of 2020 (Kane, 2017), yet, without a doubt the Saudi approach to privatisation is a relaxed one.

8.2.2 The Change Process

Change and transformation were imposed on Saudia as a result of privatising the company. Since it was a strategy adopted by the government, it has been a top-down approach and evidence shows that it has progressed in that way since the outset, as decisions are centralised at the government and top layer of the company and different SBUs.

Utilising a processual approach, allowed the study to show the type of change and how it evolved over time. Evidence and anecdotes confirmed that initially, a planned approach was utilised in managing the project. As the DG of Saudia stated, "the plan will take about 18 months for completion" (Khaleej Times, 2006:n.p). Nevertheless, as P 18 (2015) asserted, with time progression and escalation of issues related to overstaffing, employees' morale, and low productivity, as well as fears competition, the plan was skewed and it became an emergent approach to change, involving improvising and trying to come up with solutions and fixes on the go. This is a norm in public projects, as much less planning is usually put forward at the beginning of projects, as confirmed by Al-Sarhan and Presley (2001:117) who stressed that even at a higher level

of government, “there is no privatisation plan documents, and even then, there is no specific mention of assessing returns or efficiency improvement of privatised projects or activities as a case study”.

Throughout the change process, the absence and marginalisation of HRM affected the change process greatly, while poor utilisation of supporting tactics to facilitate and promote the change, particularly, clear and directed communications, change “agitators” (Stanley, 2006) or “implementers” (Shum et al., 2008), coupled with lack of anticipating and alienating employees’ voice, resulted in a complex and very challenging environment to steer towards positive outcomes.

8.2.3 The Employees

The importance of the employees’ perspectives lies in their absorbing and portraying the impact of privatisation and the change that Saudia has been undergoing. The research shows that employees were affected tremendously at a personal level in terms of their careers and feelings and at a corporate level in terms of their attitude towards work. The findings showed that employees’ perceptions on privatisation were negative, which is in alignment with the general conception on privatisation throughout the world as Birdsall and Nellis (2003:1617) stated: “but public perceptions of privatization are generally negative—and they are getting worse”.

The research context in Saudia has reflected the importance of considering employees’ perspective throughout the change process. Nevertheless, an additional two factors were found to be of significant and of equal importance to be considered when implementing change: culture and religion. Ample evidence has repeatedly shown how the Saudi culture, particularly, in exercising *Wasta* and the influence of relationships, could become more demanding than the interests of the organisation (Hofstede, 2001; Weir & Hutchings, 2005) (see 7.4.4).

Again the processual approach showed that employees’ opinions and interaction shifted with time. Initially, employees were in favour of the privatisation and welcomed the imposed changes. This stand was linked to their anticipation of added benefit from the change, which was expressed in terms of the four options given to them to transfer from public to private sector (see 7.4.2.2). Nevertheless, as time passed and the management was not able to deliver on the promises made and as the employees felt alienated, their

opinion shifted and they became opposed to the change and resisted it, to the point where legal action was taken by some (see 7.4.4 and 7.5.1).

Major neglect of employees' views and underestimation of the human factor in driving organisations' success occurred. Plentiful anecdotes revealed the absence of employees' engagement throughout the transformation process, which resulted in a frustrated workforce, although employees, according to many scholars "hold the future of most corporations in their grasp" (Kitchen & Daly, 2002:49).

Ultimately, while under each pillar of the research, various significant findings were depicted, yet, the most important key outcome of the research in the case of the transformation that Saudia has undergone is the pivotal and crucial role of communication and HRM. Responses alluded to several central issues related to the role of government, preparation for privatisation, managing the change, work environment, managing the change, the change that had been accomplished, and resistance to it, yet, the fundamental and underpinning factors to which these findings directly link to are the role of HRM (see 7.4.2.2 and 7.5.4.3) and utilising communication (see 7.4.2.1). World experiences with privatisation and organisational change showed that HRM and communication play an instrumental role in the success of change efforts. Nevertheless, in the case of Saudia, efforts fell short in optimal utilisation of these two key elements.

For example, new imposed concepts of customer orientation, change in organisations' vision, mission, and objectives, organisational structure, to name a few, were emphasised by participants. Nevertheless, communication could have played a critical role in increasing employees' awareness and bringing them to the same level of understanding of those changes. However, HRM initiatives to train and educate employees on new concepts and organising seminars and workshops to harness new concepts and at the same time increase employees' engagement in comprehending the changes were none existent or confined to the elites.

Another major finding centres on the absence of any measures to embed a new organisational culture and eradicate less admired routines, which considerably affected the transformation process. This finding demonstrates a contradiction that has always been appeared when discussing the adoption of Western theories and concepts in different contexts such as Arabic, as suggested by Weir (2001); Weir and Hutchings (2005); Branine and Pollard (2010). Nevertheless, the research showed that in this

transformation case the absence of any theories or models, whether Western or otherwise, to tackle cultural aspects such as *Wasta*, power distance, and collectivism, linked to a lack of fairness towards employees (performance assessment tools) paved the way for the rise of conflicts of interest among the different stakeholders (see 7.5.4.2).

Further, the results highlight the bond that had developed between the employees and Saudia, which made them feel obligated to care about it and the decision that affects its future. Nevertheless, the failure to recognise that relationship had backfired as some employees had given up and were intending to move once an opportunity came their way, while others felt obligated and went into battle via legal action. Thus, in the case of Saudia, it seems that officials fell into the trap on focusing on the technical aspects of the change (e.g. using a biometric attendance system, new uniforms, company logo), while neglecting the human side, which many have warned about: “so change is not just about how people act, but it is also about how they think as well. This forms a basis for the link between change management in organisations and internal communication with the people responsible for making those changes happen” (Kitchen & Daly, 2002:49).

In addition, another aspect, present in the Saudi context which could have been expanded on is religion. The teachings of Islam drive the pursuit of perfection, consultation, and obedience to those in charge. Such teachings, if expanded on properly, could have given management the chance to the replace current undesired culture with another, since, as suggested by Cabrera et al. (2001:3) “HR policies (staffing, training, compensation, performance appraisals, career management, recruiting, etc.) send messages to the employees as to what behaviors are considered desirable and, hence, they determine the shared practices which define, according to Hofstede, the organizations’ culture”.

In the end, the close scrutiny of the case of Saudia shows how the delineated difficulties and challenges, bounded by ferocious competition, seem to have taken their effect on the privatisation project and transformation process, as revealed by adopting a processual approach to understand how the project and change evolved. Therefore, it could be inferred that Saudia officials had geared their change efforts towards complying with the requirements necessary to privatise the units and complete the sale rather than transforming the organisation. As a result, the responsibility for dealing with the change is transferred to the new owners.

8.3 Research Contribution and Implications

Views on privatisation and the change process are individually constructed; thus, data were collected through interviewing employees at different organisational levels in Saudia. The aim was to gain an understanding of the situational context that organisations undergo during the implementation phase of privatisation, while an emphasis on how change evolved and developed throughout the process. Such understanding will contribute to theory by supporting, challenging and expanding previous work on privatisation. Moreover, it will provide insights to practitioners and privatisation enthusiasts on the challenges and the different aspects of the change process that are less disclosed.

8.3.1 Contribution to Knowledge

This research had maintained a core focus on making a contribution to knowledge, which came in three areas: the research area, context, and methodology. First, the research has focused on tackling an area that has received scant attention in previous studies, that is the implementation phase of privatisation, as suggested by Martin and Parker (1997); Antal-Mokos (1998). The implementation phase has been argued to be very complex in nature as it taps into core organisational values and characteristics and, at the same time, requires undergoing a fundamental transformation process that is new to the privatised firm (Ramanadham, 1988; Van de Walle, 1989; Moore, 1992; Hensley & White, 1993; Wright, 1994; Lopez-de-Silane et al., 1995; Antal-Mokos, 1998; Savas, 2000; Willner, 2003; Parker, 2009). This research concurs with stated views on the complexity of privatisation, as it is clear that the Saudia project has been underway for more than 18 years and a new target date has been set, to the end of 2020. Further, the research points to the importance and influence of politics and government in steering the project, both externally and internally to the privatised firm, since, in line with, the suggestion of Boyne (2002:100) that “political constraints result in frequent changes in policy, and the imposition of short time-horizons on public managers”.

Moreover, despite the debate about the generalisation of theories and practices among different nations (Western vs Eastern) of different status (developed vs underdeveloped), this research indicates that, in keeping with the general perspective in the rest of the world, public firms tend to be overmanned, the HRM role is marginalised and the focus is on exercising basic functions. Also, the findings confirmed the pivotal

role of communication in facilitating change, as it is associated with key aspects of resistance to change and employees' perceptions of and interaction with the imposed change.

A second contribution comes from conducting this research in Saudi Arabia, which is at the heart of the Arab world. As Branine and Pollard (2010:5) state, concurring with the claims of Rahwar and Ai-Buray (1992)

Western organizational theory sits uneasily in Arab cultures because of its concentration on individualistic and performance-related and economic measure-based approaches, for example they suggest that many important individual spiritual needs are ignored in Western management thought.

This study responds to the views and arguments espoused by Weir (2001); Weir and Hutchings (2005); Hutchings and Weir (2006a) who suggested that further research and studies would be highly recommended, to develop organisational theories with regard to Arab ways of bringing their culture, beliefs and values to bear on HRM practices. Even though cultural aspects of Arabs, in general, and Saudi Arabia, in particular, have been included to some extent in other studies, this attention has been very limited. This research has made a stand by portraying the religious aspects most relevant to privatisation (see 3.3) and cultural context (see 3.2.4). Further, the discussion had shed lights on areas where religion and culture influence people or concepts closely connected to the topic, such as competition (see 7.3.9.2), communications (see 7.4.2.1), *Wasta* (see 7.4.4.2(A)), attitudes towards work (see 7.5.3), and culture (see 7.4.4.2).

Furthermore, this research had shown that Islamic teachings have been safeguarding the company from extreme cases of sabotage. Nevertheless, those teachings were not harnessed effectively to support the change and transformation process. A key finding that is associated with religious and cultural aspects is that when culture and Islamic teachings conflicts, sometimes cultural aspects might take precedence, which is unfortunate. Such contradiction takes place in issues related to dealing with others, and not in relation to the core pillars of faith. This is because, as suggested by Branine and Pollard (2010:17) “[t]he cultural milieu of each country in which Islam is incorporated and interpreted makes for significant variations, so much so that, in some instances, national management practices actually conflict with the teachings of Islam” (see 7.5.4.1).

A third contribution was made methodologically, the adoption of the views of Dawson (1994); Pettigrew et al. (2001) on change being dynamic, and therefore needing to be studied on a continuous basis rather than in a snapshot of a specific timeframe. Such an approach has been less used in studying the privatisation phenomenon; however, in this study, looking at the implementation phase of privatisation and the case of Saudia, which has been undergoing privatisation and change since 2000 and continues to do so, gave the opportunity to adopt the processual approach in investigating the transformation process that Saudia has been undergoing. The research discussion highlighted how the project started and how it has been influenced over time (see 8.2.1, 8.2.2, and 8.2.3). The findings support claims that most change initiatives tend to take longer than expected and be messier than anticipated (Coram & Burnes, 2001). This can be seen clearly in the case of Saudia, as the project had been underway for more than 18 years, even though initially it was targeted to be completed by the end of 2008.

Further, the processual approach has shown a change and shift in HRM's role. Initially, HRM was marginalised, yet, with time, HRM now is more involved and executing more functions than before. Nevertheless, they are just starting and it will take time and efforts for HRM to play a strategic role. Another finding is in relation to the employees, who have been undergoing change for a prolonged period which has taken its toll on them, as the findings show that they were initially more relaxed and prepared to give management a chance, but, such patience is running out with time, as many (18 out of 32) said that they would leave Saudia if a better opportunity came their way.

8.3.2 Contribution to Practice

This research reports several important findings for a wider audience of practitioners in the areas of privatisation, organisational change, and private sector management. Key highlights come in pointing out specific areas of challenges that are closely related to the context of Arab countries in general and Saudi Arabia in particular. Those specific areas are associated with preparing for privatisation (see 7.3.8), the impact of privatisation (see 7.3.11) imposing new concepts of customer orientation (see 7.4.1.2), managing the project (see 7.3.9 **Error! Reference source not found.**) the approach to change, the role of communication (see 7.4.2.1) and HRM (see 7.4.2.2 and 7.5.4.3) in facilitating change, resistance to change (see 7.4.4), conflict of interests (see 7.5.4.2), and impact on employees (see 7.5.1, 7.5.2, and 7.5.3).

Further, proper attention must be paid to employees as the main facilitator of change, which is asserted by scholars affirming “that employees are to be considered as a strategic asset for the organization, and could determine the organization’s survival” (Drucker, 1994; cited in Abu-Doleh & Weir, 2007:76).

Another highlight of the research extends to external factors that are associated with the change, such as government support and other bodies that are linked with the change as they provided the necessary platform for transformation to take place as the firm shifts from the public to the private sector (see 7.3.6). Nevertheless, the most important advice that this research could provide to practitioners is that throughout the research, a plethora of evidence has reflected employees’ views, which in turn should be considered by practitioners in similar projects. Also, significant emphasis is given to explicit areas of considering and anticipating employees’ perception of the change, the impact of change on them, utilisation of clear and direct communication, optimum deployment of HRM functions while engaging if not managing major aspects that are related to employees and organisational culture in particular. “An organization is, after all, a collection of people and what the organization does is done by people. Therefore,... propositions about organizations are statements about human behaviour” (March & Simon, 1958; cited in McCalman et al., 2016:178).

8.4 Research Limitations

This study entailed on a journey to explore the implementation phase of the privatisation of Saudia. While this research has been able to produce significant findings, nevertheless, limitations are inevitable, as no research is complete. The limitations of this research are associated with the research method on the one hand and the research topic and context on the other. Limitations that are linked to the research method are related to time, financial constraints, and carrying out the research in an organisation based in a different country (Saudi Arabia). This being a doctoral research, data collection had to be carried out in a timeframe bounded by the doctoral programme, which limited the time available to the researcher to spend in collecting the data. In addition, the research was carried out in Saudi Arabia, which imposed costs to arrange for conducting the field work, which was limited to a three-month period (June – August 2015).

Further, being a doctoral study, the data collection, coding, and interpretation of results were dependent on one person (the researcher). Although this singularity permitted consistency, it did not allow for multiple views if more people, with different knowledge and experience, to be included in the research.

Moreover, interviews (semi-structured) were the main data collection method in this research, while employing other methods such as focus groups could have led to more data on specific issues (e.g. division within the organisation, conflict of interests, HRM role, role of communications, and cultural aspects), as group discussion could have been useful in gaining much information that would represent the current context more vividly. Nevertheless, as the research was able to utilise secondary sources of data (such as official documents, announcements, and reports), it was able to produce significant results, which are credible.

Also, the utilisation of a case study raises the long-debated issue about its limitation on the generalisation of the findings. However, generalisation was not the aim of this research, but rather, the deep understanding of the privatisation phenomenon and the surrounding context. Such understanding is a strength of case studies as suggested by many scholars (Flyvbjerg, 2006; Yin, 2009).

Nevertheless, there are limitations associated with the research topic and context, as the research topic focuses on the implementation of privatisation, while many scholars have elaborated that the privatisation phenomenon is very complex and multifaceted, as it affects organisations internally and externally and at all organisational levels. The transformation from public to private sector touches on core and fundamental aspects of the organisation in terms of its vision, goals, and objectives, structure, and culture, to name a few. Further, it is a strategy that has a strong political aspect, to address these would need information to be obtained from top governmental officials, which is difficult and at the same time touches on details that might be sensitive in nature.

Moreover, another limitation lies in the context; in the Arab world and particularly Saudi Arabia in which relationships play a critical role in gaining access to participants; gaining their trust, and persuading them to open up and share their views is not an easy task. This context influenced the sampling of this research, as it had relied on the relationships and trust established by the researcher, and him being part of the same culture, which allowed him to execute strategies for approaching participants in a way

that made them comfortable and willing to take part in the study. Hence, the average interview time was two hours. Nevertheless, access to any of the DGs, which could have produced valuable insights, was not granted. However, the researcher was able to carry out six interviews with top executives who report to the DG, which enabled him to gain valuable information that was key to reaching many of the findings.

8.5 Recommendations for Future Research

This research has been able to shed light on the situational context that organisations undergo while privatising and changing, which opens new avenues for future exploration and research. In terms of the methodology, it is recommended that future research could employ multiple researchers, thus allowing for different views and interpretations of the data, which could lead to identifying different codes and themes which would incorporate new perspectives.

In addition, this research advocates utilising other research method such as action research and focus groups, while focusing on certain aspects which have been underlined by this research, such as in the areas of HRM role, the role of communication, role of middle and line managers, and anticipating and assessing employees' reactions towards change within public firms in particular.

Further, this research has focused on internal aspects of the privatisation within Saudia, future research could focus on the external aspects of privatisation, which would help in providing a more comprehensive picture of privatisation. Also, carrying out other research on other cases would help in confirming the results of this research while bringing in different views and perspectives, hence, enriching the field.

Also, another significant area that is advocated, generally, is in response to the call by Budhwar and Mellahi (2007:3) that “in comparison to other parts of the world, the Middle East region has less available literature related to the field of HRM”. In particular, we advocate research on how HRM can utilise the teachings of Islam and the deep-rooted cultural aspects in shaping different strategies that drive successful change, rather than relying on Western developed tactics, which could overlook the contextual elements that are unique to the Arab world in general and Saudi Arabia in particular.

8.6 Summary

This research focuses on the internal aspects that Saudia endures during its transformation from public to the private sector. Nonetheless, it is important to acknowledge that certain external factors also played a crucial role in the privatisation and internal dynamics that Saudia had experienced. The findings have shown that political aspects and the governmental role were of vital importance throughout the implementation process and the progression of the project. In particular, the wars and the economic conditions and the decline of oil prices, that the country faced, had a direct impact on the privatisation project and the techniques that were utilised in it. However, as time progressed and the wars and economic conditions improved, the government focused its attention on the privatisation programme and provided full support, both financially, through the approval of the GHS, and legislatively, by issuing many decrees and orders that paved the way for the project to go forward.

The core focus of the research was to investigate the internal context for the implementation phase of the privatisation project. Although the study was constructed on three main pillars (angles); the privatisation, the change process, and employees, three significant aspects were found to be overarching the entire context within the privatised firm, Saudia; HRM role, communication, and cultural issues. In exploring those three angles, utilising a processual approach, made a contribution in capturing the change process and how it evolved with time.

Firstly, the research shows that HRM role is of great significance to the transformation process that the organisation is undergoing. Nevertheless, it has been found that HRM does not play a role within the organisation context as anticipated, since it was marginalised, which limited its potential and ability to facilitate the change process. Moreover, HRM suffered similar overstaffing and the lack of competencies of some of its staff, which in turn impacted its ability to function adequately and perform more technical tasks and of a higher calibre such as taking account of and voicing employees' views about privatisation and the change process. Other shortcomings were the failure to recognise the role of middle managers and fostering "change agents" is inspiring and motivating others throughout the company to accept the change. Besides, other functions such as process re-engineering and developing career-path plans were not attended to, which added to the severe impact of the absence of the HRM role. Further, even though western theories and practices, sometimes, are argued not to fit in other

cultures, such as the Arab world, yet, the findings showed an apparent lack of developing and capitalisation on cultural and religious norms that supported the change and transformation process, such as individuals striving to perfect their work and working as one unit and not being divided.

Secondly, with regard to communications, even though countless studies have shown the crucial role of maintaining clear communication throughout the change process; nevertheless, the research shows a clear breakdown of communication channels during the project. Communication was absent in specific units, and other units experienced fluctuation in the communication efforts, which paved the way for gossip and rumours to spread throughout the firm.

Thirdly, cultural aspects, specifically, *Wasta*, had a significant and clear presence in the organisational context, which affected the operation of the organisation. On the one hand, it led to the employment of individuals of less qualification and competencies and on the other hand, it affected employee's morale significantly, as people lost the desire and interest in continuing working for the company.

In the end, the research was able to fulfil its aim of shedding light on the situational context that the privatised firm underwent during the privatisation implementation phase, while focusing on the critical aspects of the change process and how the change evolved. It started as a planned change, yet, as difficulties arose, an emergent approach was utilised that, later, developed to a very discreet and less transparent approach, that not many were aware of. Moreover, the study has been able to portray employees' views and reactions throughout the project, which is essential to understand the dynamics that take place during the implementation phase of the privatisation project.

The research made a contribution to knowledge in three main ways; by adding to existing work in the area of privatisation, particularly the implementation phase, by looking at a context that is less explored, the Arab world, and by utilising a processual approach, which showed the change as a dynamic process and how it has developed with time. Moreover, the research incorporated the Islamic views on key aspects that are related to ownership, property right, the role of government, and *Shari'a* Law, which explained and clarified certain aspects that are particular to Islamic nations, in general, and Saudi Arabia, in particular.

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Appendices

Appendix 1: Interview Summary Sheet



Study Title: *Privatisation in Saudi Arabia, an Organisational Change Perspective*

Purpose of the Study

To explore and investigate privatisation from an organisational change perspective as both privatisation process and organisations' plans change progressively due to external and internal forces. Such forces lead to the development and evolution of the change process throughout the transfer process from public to private sector.

Aims of the Study

To investigate the change process and how organisations manage and cope with the change process in order to understand the evolving change process and how it manifests and develops within the organisational context.

Approach of the Study

The study will follow a qualitative – processual approach while using semi-structured interviews as a method for collecting data.

Confidentiality

The research has been designed to comply with the ethical conduct that is set by the Hull University Business School (HUBS) Research Ethics Committee which mandates and employs strict process towards maintaining full anonymity and confidentiality of all participants at all times.

Benefits of the Study

The benefits of your participation could aid in the development of the subject matter and add to existing literature and body of knowledge on the work on privatisation, organisational change, processual change, and Saudi Arabia.

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Interview Questions

1. In your view, what does "privatisation" mean? Is it important for your organisation? Why?
2. In which areas do you see changes occurring?
 - a) How do you describe the transition process? Why?
 - b) Has the mission changed? How?
 - c) Has the culture changed? How?
 - d) Has the organisational structure changed? How?
 - e) Have the policies and procedures changed? How?
 - f) What did the organisation do to enforce those changes?
 - g) How do you categorise the change process?
3. How did individuals' perceive change? What was their reaction? How did the organisation handle it?
4. In your view, which are the most difficult changes to undergo? How are they handled?
5. In your view, what did/ did not the organisation utilise effectively in the change process?
 - a) What are the key areas in which improvements could have been made?
6. In your view, what are the most important needs that concern employees? How are they being addressed?
7. In your view, how motivated individuals are? How was it before and after change occurred?
8. What is the impact of those changes on individuals' job/ performance?
9. What do you like/ dislike about your work before and after change took place? Why?
10. If you are to seek job, would you apply to join the organisation today? Why?
11. Do you have any more comments or remarks that you would like to add?

Appendix 2: Interview Protocol Worksheet

Interview Protocol Worksheet

Study Topic: *Privatisation in Saudi Arabia; an Organisational Change Perspective*

1. Introduction

- Thank you for coming today
- The purpose of today's study is to explore and investigate privatisation from an organisational change perspective as both privatisation process and organisations' plans change progressively due to external and internal forces. Such forces lead to the development and evolution of the change process throughout the transfer process from public to private sector. Therefore, it is the aim of this study is to investigate the change process and how organisations manage and cope with the change process in order to understand the evolving change process and how it manifests and develops within the organisational context.

2. Informed Consent Form

Key points must be stated and explained thoroughly:

- The purpose of the study
- Under no circumstances, your identity will not be revealed or linked to your responses in any way.
- The data collected will remain confidential and only the research team members will have access.
- You have the right to withdraw from the study at any time.
- PAUSE: Ask if participant has any questions or concerns**
 - If none:
 - **PLEASE SIGN**
 - **ENSURE PARTICIPANT RETAINS A COPY**

3. Permission to record the session (YES / NO)

- Only researcher team members will access audio-recordings.
- We will use descriptors rather than names in the transcripts.
- As we reflect on what you've shared, summarize it, and report it, we will never-ever share information that would allow you to be identified.

4. Before starting the interview make sure to highlight that:

- All ideas are equally valid
- There are no right or wrong answers - we are interested in your story, views, and experience
- Everyone's views should be heard and respected
- ONE MORE TIME** any questions or concerns?

Demographic Information

Name: _____ Org. Name _____
 Period working in the organisation _____ Years _____
 Current Position _____ Date/Time: _____
 SBU/ Department _____ Age: _____ Years _____
 Edu. Level: _____

Interview Questions

1. In your view, what does "privatisation" mean? Is it important for your organisation? Why?
2. In which areas do you see changes occurring?
 - a) How do you describe the transition process? Why?
 - b) Has the mission changed? How?
 - c) Has the culture changed? How?
 - d) Has the organisational structure changed? How?
 - e) Have the policies and procedures changed? How?
 - f) What did the organisation do to enforce those changes?
 - g) How do you categorise the change process?
3. How did individuals' perceive change? What was their reaction? How did the organisation handle it?
4. In your view, which are the most difficult changes to undergo? How are they handled?
5. In your view, what did/ did not the organisation utilise effectively in the change process?
 - a) What are the key areas in which improvements could have been made?
6. In your view, what are the most important needs that concern employees? How are they being addressed?
7. In your view, how motivated individuals are? How was it before and after change occurred?
8. What is the impact of those changes on individuals' job/ performance?
9. What do you like/ dislike about your work before and after change took place? Why?
10. If you are to seek job, would you apply to join the organisation today? Why?
11. Do you have any more comments or remarks that you would like to add?

5. Closing-up

- Thank you for your time
- Explain that a slight possibility for further clarification or information might arise, thus is it permissible to contact you in the future? (YES / NO)

Appendix 3: Informed Consent Form



Informed Consent Form

Dear Participant,

My name is Maher G. Gasim and I am a Ph.D. student at the University of Hull working on a Doctor of Management degree. I am conducting a research study entitled Privatisation in Saudi Arabia; an Organisational Change Perspective. The purpose of this qualitative study is to explore and investigate privatisation from an organisational change perspective as both privatisation process and organisations' plans change progressively due to external and internal forces. Such forces lead to the development and evolvement of the change process throughout the transfer process from public to private sector. Therefore, it is the aim of this study is to investigate the change process and how organisations manage and cope with the change process in order to understand the evolving change process and how it manifests and develops within the organisational context.

Your participation will involve audio recording and field notes taken during the interview session. Your participation in this study is voluntary. If you choose not to participate or to withdraw from the study at any time, you can do so without penalty or loss of benefit to yourself. The results of the research study may be published, but your identity will remain confidential and your name will not be disclosed, under any circumstances, to any party.

In this research, there are no foreseeable risks to you. The benefits of your participation could aid in the development of the subject matter and add to existing literature and body of knowledge on the work on privatisation, organisational change, processual change, and Saudi Arabia. If you have any questions concerning the study, please contact me at **0501074908** or **m.g.gasim@2013.hull.ac.uk**.

As a participant in this study, you should understand the following:

1. You may decline to participate or withdraw from participation at any time without enduring any consequences.
2. Your identity will be kept confidential and will not be revealed in any way and under no circumstances.
3. Mr. Maher G. Gasim, the researcher, has thoroughly explained the parameters of the research study and all of your questions and concerns have been addressed.
4. If the interviews are recorded, you must grant permission for the researcher, Maher G. Gasim, to digitally record the interview. You understand that the information from the recorded interviews may be transcribed. The researcher will structure a coding process to assure that anonymity of your name is protected.
5. Data will be stored in a secure and locked file cabinet. The data will be held for a period of three years, then destroyed by shredding notes, completely erasing all data from audio recording device used during the interview, and erasing transcribed data from the researcher's computer, which is password protected. Confidentiality and privacy will be maintained by not storing any information on the institutions or company computers/databases.
6. The research results will be used for publication.

“By signing this form you acknowledge that you understand the nature of the study, the potential risks to you as a participant, and the means by which your identity will be kept confidential. Your signature on this form also indicates that you are 18 years or older and that you voluntarily serve as a participant in the study described.”

Interviewee's name: _____ Signature: _____ Date _____

Researcher's Name: _____ Signature: _____ Date _____