



## PRIVATIZATION OF PUBLIC ENTERPRISES IN NIGERIA: IMPACT ON EMPLOYEES' PERFORMANCE AND MANAGERIAL IMPLICATIONS

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### Abstract:

*Privatization is the transfer of assets, ownership and control of state owned enterprises from the public sector to private sector. This research was conducted to examine the impact of privatization on employees' performance and managerial implications as a result of privatization of public enterprises. This current study reveals that post privatization can lead to massive job cuts, job insecurity especially among junior workers. Privatization increase job satisfaction, training and development opportunities, increase in salary and favourable working conditions which improves employees' productivity and performance. This present research was conducted using respondents from Dangote Cement PLC, a privatized company previously known as Benue Cement Company in Nigeria and the findings of this research matched with previous researches on the impact of privatization in developed and developing countries such as United Kingdom, Japan, Nigeria, India and Ghana.*

**JEL Classification:** JEL: M10 – General; M12- Personnel Management; and M14 – Corporate Culture

**Topic:** Organisational Behaviour and Organisational Management.

### Keywords:

*Privatization, Job Satisfaction, Public and Private Enterprises, Asset, Ownership, Organisation, Performance, Productivity and Management.*

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## 1. INTRODUCTION

According to Pamacheche et al. (2007), Privatization is the redeployment of assets from the public to private sector where the assets are expected to be used more efficiently. International Labour Organisation (2001) defines privatization as the transfer from the public to private sector in terms of ownership, management, finance or control. Veijanowski (1989) states that privatization is the transfer of activities and production from the public sector to the private sector.

Many countries of the world have embarked on privatization programme at different times. Chile introduced privatization programme in 1974. The United Kingdom implemented a rigorous



privatization programme during the regime of Margaret Thatcher in the 1980s such as the sale of British Gas and British Telecom to individuals in the private sector (Vickers and Yarrow, 1985). The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania etc.

The goals of privatization as expressed by Price Waterhouse (1989) are (1) raise revenue or funds for the State (2) Promote economic efficiency (3) Reduce Government interference in the economy (4) Promote wider share ownership (5) Provide the opportunity to introduce competition and (6) Subject State Owned Enterprises (SOEs) to market discipline.

Privatization policies were adopted by Federal Government of Nigeria as a remedy to problems that emanated from public enterprises. There are economic policies which grant full autonomy to public enterprises so that they can operate without government subvention, control and interference which ultimately resulted in efficient provision of service and high productivity that contribute to national growth and development. Although, these two concepts have identical goals and purpose, that is provision of efficient services to the public, high productivity and profitability, yet, they are different in nature and character.

The Federal Government of Nigeria in (1988) through Decree No. 25 set up the Technical Committee on Privatization and Commercialization (TCPC). The TCPC was charged with the responsibility of privatization and commercializing some selected government enterprises. The main reason was to promote greater efficiency and productivity in the public enterprises.

## 2. EMPLOYEES PERFORMANCE AND JOB SATISFACTION

Hong & Waheed (2011) research revealed a significant relationship between motivation, employee satisfaction and job performance. The research shows that motivation increase job satisfaction which leads to increase in job performance.

According to Gibson (1990) employee performance is measured using various parameters or factors such as absenteeism, turnover, productivity and employee satisfaction.

Borman and Motowidlo (1993) stated that there are two types of employee behaviour that are required for organisational effectiveness: task performance and contextual performance. Task performance describes behaviours that are directly related to producing goods and services or activities that provide indirect support for the organisations' core technical processes (Borman and Motowidlo, 1997; Werner, 2000). These behaviours have a direct relationship to the organisation's reward system.

Contextual performance is an individual's efforts that are not directly linked to an employee's main task or functions in an organisation. Behaviours that are contextual in nature are necessary because they shape the organisational, social and psychological contracts between the



organisation and the individual serving as an important drive for task activities and processes (Werner, 2000).

## 2.1. PREVIOUS RESEARCHES

According to Prizzia (2005), privatization had negative impacts especially in the work force citing an example of a water system in Bolivia and an energy system in Thailand which increased unemployment which resulted in series of street protests and upheavals in both countries.

Nancy and Nellis (2003) stated that privatization is unfair in both concept and implementation. Privatization had negative consequences for the poor, disenfranchised, workers and middle class. Further the research showed that workers lost their jobs and suddenly found themselves in unemployment (labour market), price increases on essential commodities and services. Also, the research stated that privatization benefited the elite class or corrupt politicians and their collaborators who are foreign corporations and investors.

Asiedu and Folmer (2007) conducted a research on the impacts of privatisation in Ghana, Africa using a survey of 300 workers both in state owned enterprises and private enterprises. The research found out that there is a significant relationship between privatization and job satisfaction. Monthly wage was a dominant factor in state owned or public enterprises while in private enterprises, education, training and availability of other forms of remuneration such as bonuses were factors that lead to job satisfaction in the private sector. The study further shows that there exist numerous ways to successfully implement a privatization programme without creating social upheavals.

## 2.2. OBJECTIVES OF THE STUDY

The objective of this current study is to examine the impact of privatization on employees' performance and managerial implications during the post privatization stage of Benue Cement Company, a cement company based in Gboko, Benue State now referred to as Dangote Cement Plc. The new company, Dangote Cement Company PLC took over Benue Cement Company during the Privatization and Commercialization exercise of the Federal Government of Nigeria of the President Olusegun Obasanjo regime.

## 2.3. RESEARCH METHODOLOGY

This research is quantitative in nature and use the structured questionnaire as its instrument. The questionnaire consists of 30 questions to measure the impact of privatization on employees' performance at the post privatization state. The questionnaire contains questions on age, qualification, work experience, attitude towards work, job satisfaction consisting of 30 items that was scaled on a five point Likert type scale on a 1 = Strongly Disagree to 5= Strongly Agree.



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The empirical validation of the impact of privatization on employees' performance was performed by exploratory and confirmatory factor analysis. This method of construct validation was published by (Baumgartner and Homburg, 1996). To analyse the dimensionality of the scale, the MSA criterion at first level was applied. (Hair et al., 1998). The MSA of 0.975 indicates an excellent or acceptable applicability of the item pool for exploratory factor analysis (EFA). Successive application of the EFA and elimination of the items based on low factor loading, high cross loadings and insufficient item-total correlations resulted in a pool of 30 remaining satisfaction indicators. Next, the extracted dimensions were tested for their job satisfaction and validated by one by one means of confirmatory factor analysis (CFA) with LISREL 8.91. The local fit indices indicator job satisfaction, average variance extracted (AVE) and Cronbach's  $\alpha$  were employed to validate each dimension (Baumgartner and Homburg, 1996). The corresponding measures suggest a good fit of the extracted five satisfaction levels, dimensions of the attitudinal scale of the questionnaire that are defined as: Salary, Benefits, Work Environment, job security and Work Pressure (Ram, 2012).

Comparisons of the demographic analysis of the sample in Table 1. Shows a match between samples considered in several studies. Therefore, the small sample size of 120 in comparison of the population of 856 is sufficient. When working with small sample sizes, Marcoulides and Saunders, recommend that a researcher should consider 'the distributional characteristics of the data, potential for missing data, the psychometric properties of the variables examined, and the magnitude of the relationships considered before deciding on an appropriate sample size to use or to ensure that a sufficient sample is actually available to study the phenomenon of interest' (Ram, 2012).

**Table 1:** Demographic Analysis of the Sample

Demographic Variable	Total/Percentage
Employees	856
Completed Questionnaire	120
Non – Managerial Employees	100%
Percentage of Male Respondents	86%
Percentage of Female Respondents	14%
Age Group (20 – 30)	42%
Age Group (31 – 40)	58%
Work Experience of 1 – 12 years	70%



### 3. FINDINGS AND ANALYSIS

Privatization of companies brought about job satisfaction for workers owing to increase in salary and improved conditions of service such as benefits, bonuses and training and development which enhanced employees' performance and productivity. Choo & Bowley (2007) state that employees' job satisfaction and job performance are directly related, Job performance is as a result of job satisfaction.

Additionally, 80% of the number of respondents from Dangote Cement Company PLC strongly agrees that the new management of the company had improved their work environment, salary, training and development and job satisfaction. However, 20% of the respondents strongly disagree that the new management has enhanced work environment and job satisfaction.

There is evidence from past researches which suggests that private sector employees experience a higher level of job satisfaction compared to their colleagues in the public sector (Solomon, 1986; Kohjasteh, 1993),

Privatization of public enterprises leads to upheavals, job cuts and reorganisation of the management structure. Public enterprises in some developing countries for example Nigeria was saddled with corruption, maladministration and mass employment (Ekanem and Ekefre, 2011). Massive employment in public enterprises was used by politicians of the ruling party to compensate friends, relatives and political associates.

Dangote Cement Company had to do massive job cuts of mostly junior workers to enable the company run efficiently and profitably as well. 72% of the respondents felt that privatization has made their job insecure, 28% of the respondents felt that they strongly disagree that privatization had made their job insecure despite the fact that privatization leads to competition and privatized enterprises are no longer directly funded by the State or Government. For example, Dangote Cement PLC had to compete with IBETO Cement PLC that flooded the Nigerian market with cheaper imported cement from China and other Asian Countries.

This study found out that privatized companies were more likely to retain an experienced work force and that junior workers were most likely to be laid off. In this study, 58% of the work group that responded to the questionnaire were between the ages of 31 – 40 while 42% of the work group were between the ages of 21 – 30.

Also, this implies that workers between the ages of 21 – 30 were more likely to seek better pay elsewhere and are often associated with public enterprises where they felt their jobs were more secured compared to private enterprises.

### 4. MANAGERIAL IMPLICATIONS

One of the reasons for privatization is poor managerial performance owing to inefficient governance and corruption in public enterprises or weak control mechanism by the State



(Government) as an enterprise principal (Megginson and Netter, 2001). In Government controlled enterprises, a lack of share ownership by management implies that there is little motivation or drive for performance to achieve organisational success.

According to Wright (2002), oversight functions of state owned enterprises by ministerial principal usually exposes gross misconduct or financial misappropriation but may be ineffective in promoting and monitoring achievement of performance targets and organizational goals.

This study shows that privatized companies had better working conditions, training and development for their employees as seen from the respondents from Dangote Cement Company PLC which reveals that private enterprises were more effective in setting performance targets which contributed to job satisfaction.

Therefore, Managers in private enterprises should be aware that employees' performance and productivity are linked to job satisfaction.

Also, managers should create a working environment that is user friendly since low income earners often seek better pay elsewhere (Osunde et al, 2015).

## 5. CONCLUSIONS

Privatization is a means to transfer assets, ownership and control of state owned enterprises from the public sector to private sector. Privatisation brings about increase in prices of the products or services previously offered at reduced prices by public enterprises. Also, privatization leads to massive job cuts and social upheavals. This current study shows that privatization can create job satisfaction, better working condition, increase in salary, training and development opportunities for employees. This present research shows that workers felt insecure working in privatized companies owing to competition from other firms while a greater number of respondents felt secure with working in state owned enterprises.

Privatization leads to efficiency and increase in productivity of privatized enterprises and the work force of private enterprises had more experience and were committed to the goals of their organisation despite changes in ownership during the post privatization period.

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