Does the Concept of Property Rights Hold Relevance for Human Resource Performance?

An Applied Study of Privatized Companies in Tunisia

Fakhri Issaoui, King Khalid University, Saudi Arabia*

Zaher Meshari Abderrahim, King Khalid University, Saudi Arabia

Majed Bin Othayman, King Khalid University, Saudi Arabia

Slah Slimani, King Khalid University, Saudi Arabia

ABSTRACT

In a world where information technologies (ITs) are globalizing and acting directly and explicitly on organizations, the question of property rights neutrality becomes strategic. In this study, the authors investigated whether ownership is a determinant of human resource performance or whether it is driven by factors other than ownership (e.g., technology and IT). Thus, the major objective of this research was to find out under what conditions ownership exerts a nonneutral effect on the performance of human resources and whether these effects are dependent on the technological aspects of organizations. The authors' methodology included two techniques, namely, nonparametric tests applied to the main indicators of 21 privatized companies (operating in the IT and other sectors) in the Tunisian case, and panel data to explain the impact of privatizations on human resources. The results showed that the privatization process has allowed an improvement in productivity indicators through an increase in incentive systems, particularly for companies with high technological content. The application of the econometric technique evidenced a whole policy of restructuring the allocation of human resources, in the postprivatization period. This makes sense because the incentive system of newly privatized companies strived to be more efficient. Furthermore, the second model showed that human resource dynamics after privatization depends on the business cycle and the nature of investors and IT. The third model confirmed the idea that privatization leads to an improvement in the workforce and its productivity in the long term. Overall, the study generated important managerial implications, the most important of which is that privatization can only generate a positive effect on human resource performance when employees feel involved in the process and as much as the organization is involved in new ITs.

KEYWORDS

Human Resources, Performance, Privatization, Property Rights

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*Corresponding Author

INTRODUCTION

Since the early 1980s, the public sector has undergone restructuring, which has led to an unprecedented wave of privatizations. Privatization took three essential forms: A direct form of transfer of public goods to private actors; an indirect form of transfer of services, naturally public (e.g., infrastructure, education and health services, and services inherent to information technology [IT]) to private organizations; a mixed form of public-private partnership. Thus, as privatization generates significant qualitative changes in organizational modes, it is supposed to establish a new type of incentive in the management of human resources (Abdeldayem & Al Dulaimi, 2022; Al-Busaidi et al., 2021; Lemaizi, 2024). However, the stylized facts showed that the hypothesis of the effectiveness of privatization is neither mechanical nor instantaneous and depends on several factors and determinants that must be specified with caution. Consequently, the main contribution of this research was identifying all the necessary synergic organizational, sectoral, and macroeconomic factors to make privatization positively impact on the performance of the privatized organizations and their human resources.

Indeed, when the subject of property is to be considered, the fundamental question is always quasi-unique: Is private ownership intrinsically superior to other forms (especially public) of ownership? If so, why? In other words, two aspects need to be checked: The neutrality of the property and which of the different types of property is the most efficient in the economic sense (which can only happen if the property is judged not to be neutral). This second question becomes more important if its results and implications are applied to the company's human resources. In other words, does ownership constitute a variable that determines labor productivity in the firm? If so, then how? Moreover, although these questions are no longer new, they are far from being resolved because, since the collapse of the previous socialist bloc, forms of ownership have never stopped developing and have become more complex, requiring an update of their effects on the factors of production, in this case work. At this level of analysis, an important question deserves to be raised. It concerns the fact that property, as many authors (Laffont & Tirole, 1993, 2001; Tirole, 2023) highlighted, has no meaning in itself, while it has based on the economic and legal advantages it produces for the owners. As a result, the real managerial question is: What is the optimal combination of ownership which allows maximum efficiency and the manager to properly manage their (monetary, financial, and human) resources? The answer relates back to the concept of corporate governance, which is intended to be more developed than that of ownership and property rights. Eventually, it is possible to affirm, without too much risk, that it is good governance which allows to determine the optimal distribution of property rights within the company.

Kiradoo (2021) emphasized the fact that organizational shocks such as privatization can only have positive and significant effects on human resources when there is a dynamic governing of technical, IT, legal, political, and economic factors. Along the same lines, Kargas and Tsokos (2020), Staniec and Kalińska-Kula (2021), and Szegedi et al. (2023) showed that, in the case of Greece, privatization only had positive and significant effects on the employer brand in sectors operating in ITs. They concluded that, although the implementation of employer branding is still an ongoing process, it has already begun to transform the operational logic of human resources departments in organizations operating in the telecommunications sector. Also, Blair et al. (2000) investigated the optimal distribution of ownership within the company, including employees among the potential owners. Bair et al. showed that optimal appropriation must be private, but it must also involve employees at all administrative levels because they play a stabilizing role. This form may also be associated with more stable employment levels. Besides, it appears that it costs nothing in terms of productivity or financial performance, and may even improve performance.

Many other studies have converged towards confirming the existence of a causal relationship between ownership and human resources' performance. This relationship can no longer be created directly, but rather via another variable which is none other than the company's human resources.