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Impact analysis of privatization Of PTCL in Pakistan

1. Introduction

1.1 Background

Primary objective of a government is to ensure provision of public services to the entire nation and by developing mechanisms to make sure that impartiality is exercised in execution of different tasks. State has the responsibility to protect and serve the best possible interests of the public. On the other hand, it is the responsibility of people to obey all the laws constituted by the government, hence a social contract or public contract comes into existence where both parties have some responsibilities towards one another. One part of this social contract and provision of its services is accomplished through public sector organizations. Thus, a societal relationship is developed.

There are examples in the world where public entities have performed tremendously in order to prove themselves as global companies. Examples of these are Haier, Dubai Ports, Temaesk (also have contribution in SingTel and Singapore Airlines), Emirates Airline, Malaya Petronas and China National OFFSHORE Oil Corporation (CNOOC). These global companies have proved themselves as best companies in terms of employee retention, customer satisfaction and in contributing towards boosting up economy and interestingly all these giant organizations are state-led institutions excelling in their domain challenging the idea of shifting ownership from public to private hands in order to ensure higher performance. Examples of such previously well performing companies from Pakistan include PTCL (formerly state-owned), Pakistan National Shipping Corporation (PNSC), National Bank of Pakistan (NBP) and Pakistan International Airlines (PIA).

According to Lan (1992), NPM reforms generally refer to mode of deregulation, privatization and marketization. As per Lan and Hood, privatization is a tool of New Public Management. So, as per definition of NPM, privatization is one of the main components of NPM.

According to Dannin (2008), the available literature shows us the effects of privatization i.e. merit and demerits. So, it is vital to know that why the role of state owned enterprises is transferred to private firms and whether the effectiveness and efficiency of former state owned enterprises has improved?

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Privatization has been practiced in different sectors in different economies, as this study deals with a company from telecom sector, therefore, only trends in this sector have been highlighted. According to Molano (1997), privatization in telecom sector was initiated by British government in 1981, followed by Japanese government who privatized some of the shares of “Nippon Telephone and Telegraph” in 1984. Another importance of telecom sector is its contribution in economic activities due to the fact that telecom sector is the basic ingredient when it comes to technological and communication advancements. Moreover, telecom sector’s importance can be judged from the fact that, privatization of state-owned telecom enterprise led to the collapse of governments in Greece and Argentina (Molano, 1997).

Telecom sector was considered to be highly efficient and effective in the 19th century. This sector gained immense popularity in terms of health services and made a monopoly as no one could match telecom sector in its pace of development, but tables got turned with the British telecom privatization for the first time in history of telecom, and so far, almost each developed and undeveloped country is in the race to privatize the telecom sector (Petrizzini, 1996).

Pakistan has also been practicing privatization since 1990’s at a larger scale and by the end of 2000, privatization of about US\$ 2.0 billion was aggregately made and about half of the contribution was from telecom sector.

Pakistan Telecommunication Company Limited (PTCL) has its long history. It has seen many ups and downs during its whole life. The performance of PTCL can be measured through its unique role of monopoly that it had/has no competitor at all, in terms of landline services. PTCL was considered as a telecom giant in Asia by 2005. In 2006, privatization of PTCL was completed. Initially, three companies were involved in bidding i.e. Singtel (Singapore), Etisalat (UAE), and China Mobile (China). Result of bidding was conclusive as Etisalat won with healthy margin. Then, Pakistan government sold out 26% shares along with the managerial control to UAE based company in just US\$2.6 billion (The News, 2006).

On the basis of background of the study, subsequent are the objectives and research question of this study:

1.2. Objectives

1. To find out the reasons behind privatization of PTCL
2. To analyze privatization of PTCL using a triangular approach:
 - a. Financial performance
 - b. Management and employee views
 - c. Customer experience

1.3. Research Question:

What has been the impact of privatization of PTCL in terms of:

- a) Financial performance
- b) Management and employee views
- c) Customer experience

1.4. Significance of the study

Since the advent of the concept of privatization, it has been seen as a solution to issues pertaining to performance of public sector organizations. It has been observed that transferring of ownership of public services or organizations to private sector will bring efficiency and accountability into the deficient areas. The debate regarding merits and demerits of privatization is discussed in the next chapter i.e. Literature Review of this study.

Studying PTCL as a case, this study attempts to understand the phenomenon of privatization in telecom industry in Pakistan i.e. whether really a need existed or this step was taken as “best practice” that had worked previously in developed countries.

More importantly, this study focuses on a triangular approach instead of just relying on financial indicators. Most of the studies conducted so far regarding evaluation of privatization followed a sole approach that is of analyzing financial ratios before and after privatization, whereas this study not only takes into account this important dimension, but also attempts to integrate views of key stakeholders i.e. management, employees and customers in order to come up with a comprehensive analysis of impact of privatization of PTCL.

With this triangular approach, researchers have tried to figure out the key drivers of privatization in Pakistan and how successful has this been so far. Whether the concept has been adopted without considering cultural factors and possible repercussions and also had tried to measure the scope of the concept ‘privatization’ in third world country like Pakistan.

2. Literature Review

“NPM” term coined in the late 1980s to denote a new stress on the importance of management and ‘production engineering’ in public service delivery, often linked to “doctrines of economic rationalism” (Hood, 2001).

Last few decades have been linked with a “fundamental shift” in the principles that have been used in the governance of public sector in the modern world. This shift has been a result of “reinvention” of the idea that how governments and its units should perform; in other words this conversion is a step towards ‘new public sector management’ model (Gahn, 2007).

According to Haque (2004), one of the most influential factors in emergence of New Public Management (NPM) is the ideological shift since late 1970’s. This was the era when the world moved towards “neo-liberal framework”, when the concept of welfare state weakened and government machinery such as bureaucracy was accused for being inefficient. He further added that originating from USA and UK, the NPM model has not only expanded over capitalist nations but also Asian countries because particularly the concept of NPM has been reinforced by world

renowned developmental institutions. This very idea is based on the concept derived from the “modern politico-economic theory favoring free trade, *privatization*, minimal government intervention in business and reduced public expenditure on social services” (Collins).

According to Osborne and Gabler (1992) there are multiple ways or options for governments to choose from various service deliveries. Instead of providing the services itself, government may choose for contracting out, franchising, public private partnerships or *privatization* itself.

This study only deal with the idea of privatization, therefore, the following sections of literature review addresses this only. Nevertheless, international context plays an important role in determining the local role of policy making that is why it is crucial to highlight the global context of privatization.

“Privatization is the transfer of enterprise ownership- in whole or in part- from the state to private hands, also called denationalization” (Savas, 2000) . Moreover, Megginson and Netter (2001) define privatization as “the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents”.

From last few decades, the debate on merits and demerits of privatization is getting strengthened as diverse Literature on privatization and its impact is available. Numerous studies are available that declare this phenomenon as positive and at the same time large amount of research disapproves this notion. This study first discusses some of the merits of privatization, followed by counter discussions by different researchers.

Privatization has gone on to become an outstanding phenomena in first world as it proved it’s positive impact on a country’s economic growth, privatization along with “appropriate structural reforms, creates incentives to improve economic efficiency, increase investment, and adopt new technologies” (Filipovic, 2005).

Through an empirical investigation on Zambia, Beddari (2011) concluded that privatization was positively related countries economic growth i.e. Gross Domestic Product (GDP). Similarly, Kousadikar and Singh (2013) in their study on India concluded that privatization lead to not just financial strengthening of the sector under study but also overall performance as well.

A study was done on 65 different banks to evaluate the performance after privatization of each. Study concluded that there was a positive chunk came after privatization in most of the banks and contributed towards positive growth (Verbrugge et al. 1999).

Numerous studies have been done on the evaluation of financial performance of telecom sector of pre and post privatization throughout the world. Wallsten (2001) in his study explained the phenomenon of privatization as a useless concept in determining the escalation of financial performance of telecom sector as he concluded that privatization does not play any role in improving the financial condition of telecom sector instead new and improved introduction of structural reforms are enough in determining the increase in financial performance.

Siddiqi et al. (2012) evaluated the financial performance of pre and post privatization of PTCL and took various financial variables such as Revenues, Net Margin, Market Value per Share and Earning per Share. The output of the study is that financial position of PTCL was healthy before PTCL but has gone down significantly after privatization.

Financial measures are not enough to conclude whether privatization is a successful concept. Customer satisfaction also plays its vital role. Customer facilitation cell is the only unit in PTCL which has direct interaction with customers so it is vital to know how service delivery can facilitate customer satisfaction. Customer satisfaction can be described by the attitude of using same facility over times. If customer uses services on consistent basis which means that customer is satisfied with the service and vice versa. If the service provider provides services on the expectations of its clients, it simply leads to the high customer satisfaction (Homburg and Bruhn, 1998).

As not much literature is available on the views of employees and management upon privatization, so the researchers have outlined the interview questions in order to respond to research questions keeping in view the basics of questionnaire constructs.

3. Theoretical Framework/Conceptual Model

NPM has gained tremendous growth over past few decades. NPM has not only been adopted by developed countries but also been rationalized by third world countries. Transition of NPM from developed countries to developing countries is a big question mark as the beneficiaries of NPM are the wealthy nations while developing countries are still the victims of this sadistic wave.

Privatization is one of the key components of NPM. Nations have been in the circle of privatization around the globe since 1980 (Smith et al. 1997). Though, it remained successful in first world countries somehow but tables turned when third world countries also started to be the part of vicious circle of privatization. Privatization have both its merits and demerits at the same time as discussed in literature review but one thing is to ponder over here that privatization is not something which can be imposed on any of the nation as it will give futile outcomes in future for that vary nation (Khan & Saeed, 2015).

3.1 Creation VS Construction: Social Construction and Reality

Before moving onto Organizational Theories that address emergence of privatization and its dissemination into different economies, it is important to discuss emergence of these concepts and theories themselves and how these practices got evolved and can such ideas of practices be declared universally applicable and relevant to all cultures and contexts. The answer to this query comes from Social Construction theory. This theory has been associated with several disciplines such as sociology, psychology and others. The purpose of discussing this theory before organizational theories is to understand that organizational theories i.e. Institutional and Transaction Cost theories are

themselves socially constructed ideas and can have validity issues in other societies or across the borders.

Social Constructionism is fundamentally “an anti-realist, relativist stance” (Hammersley, 1992 ;Craib, 1997). Social Constructionism theory tells that reality is something subjective and created by Social Constructionists and they then propagate it by labeling it as universally true. Creation is synonymous with Reality and closed to nature, it is something not artificial or non-structured (Extra-human efforts) whereas Construction is a result of an individual’s deliberations that may or may not be true for all scenarios i.e. self-made by humans or specific group of people (in result of human efforts) (Andrews, 2012).

Following the creation of knowledge or concept i.e. in this case idea of privatization as explained by Social Construction theory, further two organizational theories provide explanations to the question that what was the basis of privatization in Pakistan, particularly PTCL and how did this new form of organization came to existence. Institutional theory deals with the cultural and political dimension, whereas Transaction Cost (TC) theory deals with the economic rationale to privatization.

3.2 Institutional Theory

Institutional theory deals with the basic question i.e. why do organizations exist and how do they develop over time (Scott, 2001). This theory has a number of dimensions and answers to the aforementioned principal question. It also discusses how and why do organizations try to become similar to others in their environment. DiMaggio and Powell (1983) provide three reasons or justifications as to why organizations or institutions try to copy others or adopt the practices that prevail in entities around them, broadly he labels this phenomenon as Isomorphism and three types of Isomorphism are called:

3.2.1 Coercive Isomorphism: It refers to the scenario when some organization is forced to follow a way i.e. rather forced by government or any other authority such as developmental financial institution for instance.

3.2.2 Mimetic Isomorphism: This is a situation when organizations copy each other when they are uncertain about which path of action to follow. An example could be that in developed countries, infrastructure sector has undergone heavy privatization and apparently their services are going well, so we (PTCL’s administration) should also peruse it.

3.2.3 Normative Isomorphism: This idea explains the change or development in terms of norms set. It refers to a situation when for instance “bodies of professionals or managers at different organizations are trained in similar way or when they interact professionally” they formally or informally decide to do something in a particular way. For example at the World Economic Forum, finance ministers of several countries meet and decide about adopting privatization as a tool for raising funds for government or as a tool for improving a government enterprise.

As this study deals with the reason for which the organization i.e. PTCL was privatized and the study also from this perspective aims to explore the global links

of privatization wave in Pakistan. Institutional theory gives the aforementioned perspective to our objectives.

3.3 Transaction Cost Theory

Transaction Cost theory comes up with a different explanation to the idea of why an organization comes to existence or why does an organization take up a specific form. According to Hesterey et al. (1990) “Organizations are governance mechanisms for supporting exchange”. Transaction Cost is basically the cost of controlling or monitoring and it is the cost benefit analysis that guides an organization to decide regarding self-producing something or outsourcing. Main aim of forming a new setup or hiring an agent is better services at least possible costs. Basically, Transaction Cost theory argues that a company tries to (and they should) minimize the costs they bear while providing any service or product.

In a nutshell, on the basis of this theoretical framework or conceptual model, this study firstly aims to explore the reasons as to why privatization of PTCL was done (from where this idea came), along with an evaluation as to whether this decision of its privatization was correct. Depending on the evaluative dimensions mentioned in literature, this study evaluates privatization of PTCL as a success or failure story using financial measures (Siddiqui et al. 2010), Customer Satisfaction criteria and Employee Orientation. Such a study provides a holistic approach and shall help in coming up with a verdict unlike most of the studies that only rely on financial measures.

4. Methodology

4.1 Research Strategy

The research strategy researchers have adopted for this study is triangulation approach i.e. “Qualitative” and “Quantitative”. Qualitative is a set of non-statistical inquiry techniques and processes used to gather data about something, it may be a social phenomenon or an organizational structure whereas quantitative is a set of statistical techniques and processes used to gather data.

4.2 Research Design

The research design that researchers have used in this study is ‘Explanatory’. This design is used in a qualitative study to explore any phenomenon and to develop causal explanation of something i.e. cause of the consequence of interest.

As in this study, this approach has helped us to know about the drivers, reasons of the privatization policies i.e. what the main causes of privatization are and what are its outcomes in terms of financial performance, customer satisfaction and employees/management views.

4.3 Sample Site and Strategy

Sample site for collection of primary data through interviews are from company like PTCL. Semi-structure interviews are conducted from the pre and post privatization employees.

4.4 Data Collection and Analysis

In the light of literature review, both primary and secondary data are used for this study.

4.4.1 Primary Data

Primary data is collected from the customers and employees/management using the tool of questionnaire and interviews respectively. Semi structure interviews are conducted from the officials of pre and post survivors and victims of privatization of PTCL. Management personnel are also being interviewed to get response from both parties involved. Along with different customer care outlets of PTCL, head office and corporate office has been visited to collect data from employees and management members. The reason for approaching these major offices is to understand the true episode of privatization.

Semi structured questionnaires are used to collect the data from the customers. The reason for choosing the questionnaire for customers is to tabulate the results accordingly.

4.4.2 Secondary Data

Secondary data includes the official documents of this company, such as financial statements including income statement and cash flow statements. Secondary data is also very helpful in answering one of the research questions as it involves the review of financial documents of the company.

4.5 Sampling Technique

As specific and related information is required to gather and analyze the data and to get in-depth views of the respondents for the study, Judgmental sampling (non-probability) is used in this case. This type of sampling technique helps in collecting the targeted information from the professional people related to the field. Moreover, Multi-Stage Cluster Sampling (probability) is used in collecting information from customers as customers are divided into four different groups according to the kind of study.

4.6 Sample Size

From employees and management point of view, 10 employees (survivors) have been interviewed along with 3 employees (victims) while 2 management personnel have also been interviewed.

As far as customers are concerned, data are collected from 200 customers. These are divided into four groups.

- 1) 50 students (under-Graduates to PHD)
- 2) 50 professionals (25 private and 25 public sector employees)
- 3) 50 across street customers from workers to business men
- 4) 50 household's members

5. Data Collection, Analysis and Findings

5.1 Customers Perspective

Insert Table No. 1 (Placed at the end)

First thing that requires in dealing out this study is that whether respondents (customers) are aware of the fact that PTCL has been privatized. According to Figure 2, about 80% of the respondents are of the view that they are well aware of the privatization of PTCL so that shows healthy percentage of validity of respondents for the study to be conducted.

Sample for this study have used the products and services of PTCL tenure for so many years. Just 19% of the respondents have used the products/services from 1 to 3 years. 36% of the respondents have used PTCL products/services between 3 to 6 years. While 46% of the respondents have used PTCL's products/services from more than 6 years, so most of the customers are stick to PTCL which shows a good retention of customers to the product. The core reason of retention of customers is due to the monopoly of the PTCL in landline.

Least number of customers is using Smart TV. The reason for this is that this service is recently introduced by the company. DSL has got healthy number of customers even with the presence of number of competitors. Most of the customers (191) are using Landline, highlighting its monopoly within Pakistan.

An interesting result of the study is that customers do not look happy with the products/services availability of PTCL after privatization. About 54% customers do not like the products/services of PTCL. That shows that even though the number of products/services have been increased after privatization but those don't seem to conform to the demands of customers. That could be one of the reason that PTCL had to bear huge amount of losses soon after privatization.

Also, 56% of the customers are satisfied with the PTCL before privatization while just 29% customers are dissatisfied with the performance of PTCL. Tables were turned when the opposite question was asked from customers about the satisfaction level after privatization because healthy percentage of customers (44%) do not look happy with the performance of PTCL after privatization, so that shows how customers reacted towards privatization in terms of customer satisfaction.

19% of the customers were of the view that they are not going to recommend any of the PTCL's product/service to others while 16% of the customers said otherwise. Concisely, the graph is showing us the breakeven point where we can not really decide the demand of the customer in this case.

Most of the customers feel reluctant in using the PTCL services as they are more likely to **switch** (53%) to the other networks. That shows the downfall of the company in retention terms. Only 31% feel that they are not willing to switch to other networks that shows the major threat towards company in future.

Insert Table No. 2

As per table above, most of the customers (57%) are of the view that customer service of PTCL has not been improved since privatization. While 36% of the customers give their opinion in the favor of improvement of customer service

since privatization. So, in short most customers do not seem content with the privatization of PTCL in terms of customer service.

Most of the customers (33%) said that number of products/services (diversity) after privatization have been increased which shows that PTCL started to grow after privatization in terms of diversity of products/services. While 26% of the customers said otherwise.

When asked from customers about the quality of products and services, response was not conclusive as few agreed with the improvement of products and services while about same ratio of customers disagreed. Most of the customers remained neutral.

High percentage of customers (74%) is of the view that costs and charges of PTCL products/services have been increased since privatization. High costs are always linked with the better quality of service (claim by privatization sources), but here in this case, though charges have been seriously increased by the company but the level of quality has still not been achieved. 24% customers had some other thoughts as they think that charges are not increased as much as facilities have been increased.

As far as justification of increased costs is concerned, respondents views seem not conclusive as almost similar response is given on each side of the likert scale. 21% agreed with the view of justification of increased charges at the expense of better services. 72% of the customers have disagreed with the aforementioned statement as they think that increase costs are not justified because though the costs have increased but the standard of products and services have been declined.

One of the better outcome of privatization of PTCL is that 39% of the customers respondes in the favor of ease bill payments since privatization take place. Means that they feel easy while paying their bills. 26% of the customers disagree with this that they do not feel ease while paying their bills after privatization and 37% are neutral in this regards.

34% of the customers are neutral as they do not make any opinion regarding wait time decreased during complaints. Overall, results seem neutral and inconclusive as almost same percentage of customers fall on each side of likert scale.

Looking at the perspective of complaint resolution of customers by PTCL, a high percentage of 43% customers do not feel content with the effort of PTCL after privatization in terms of complaint resolution as they still feel that PTCL is not able to tackle the issue of complaint resolution. 27% customers look happy with complaint resolution mechanisms introduced by the company.

There was a big hurdle in connctivity of PTCL's products/services before privatization. On asking the question whether this problem has been reduced after privatization or not, huge percentage of 45% customers disagreed with the decrease problems in connctivity of products and services of PTCL. Just 27% customers said that they feel good about the decrease problems in connectivity of PTCL.

More than half of the customers (51%) do not seem to be happy with the overall privatization program due to many issues discussed above. As they feel that PTCL

could perform much better without Privatization. Just 25% customers thought a privatization as a prerequisite for better improvement of PTCL while 24% customers are on neutral side.

5.2 Financial Performance

Insert Figure No. 1 here

Above figure shows the total revenue of PTCL made from year 2005 to 2013. As one can notice that revenues of PTCL has started declining since the first year of privatization. It was nearly 90 billion rupees in year 2005 and then declined to nearly 55 billion rupees in year 2011. We also need to focus our attention on the inflation factor as well. Currently, its revenues are 80 billion rupees which is still not at equal footings to the revenues of PTCL prior to privatization in year 2006 while not considering inflation factor. Marginal rise in year 2013 is due to the cost cutting strategies introduced by the top management such as to increase the area for the line men and 3000 employees were expelled in the same duration as per VPS scheme. Along with this, charges of the products/services like Digital Subscriber Line (DSL), Smart TV were variably and extraordinarily increased from past years.

Insert Figure No. 2 here

Net Margin (NM) depicts the percentage of net profit from sales. In year 2005, net profit was 31 percent of the total sales of PTCL which is really a good number. However, since the day PTCL is privatized it shows a negative trend. Even in year 2008, it goes down to loss of 4%. Currently, net profit margin is approximately 16% which is still half way to the one PTCL had prior to privatization. This indicator shows that either revenues of PTCL are sharply declined or their expenses have been raised immensely since the year of privatization. Lastly, Net Margin in year 2013 was increased because of huge cost cutting strategies adopted by PTCL as explained above.

Insert Figure No. 3 here

Fixed Asset Turnover (FAT) ratio states that how much of rupee sales we are getting for every rupee invested in fixed assets. In year 2006, it was 1 which means that we are generating sales of 1 Rs. for every one rupee of fixed assets. It was really a good ratio. However, it started declining since year 2006 after privatization and currently it approached to the same level again after 8 years as it was in year 2006. Rise in year 2013 is due to the introduction of new products and services which diversified the product line of PTCL like Smart TV and linkage with Ufone that automatically increased the sale for a single year but this single year is not conclusive result for the study because after privatization, 7 years continuously ratio went downward.

Insert Figure No. 4 here

Earnings per Share (EPS) measures the net profit allotted to each outstanding share of a company. EPS of PTCL was above Rs. 5 in year 2005 prior to privatization which is really great. However, since the day of privatization, net profit starts decline which results in very low earning per share afterwards. Currently, it is about 2.5 rupees per share which is half to one it was in pre-

privatization era.. In the end, EPS in year 2013 has bit increased because of increase in net profit that escalated due to cost cutting strategies introduced by the company.

Insert Figure No. 5 here

Dividends are given out of the net profit to the equity holders. Dividend is paid out of net profit to the share holders of a company. In year 2005, Dividend per Share (DPS) was paid out at Rs. 2. However, in year 2006 it rose to Rs. 5. Afterwards, it goes down again and get stable at Rs. 2 or lower. We need to remember that year 2006 was the year of privatization for PTCL. Therefore, they gave huge sums of dividends to general investors to increase the trend of public to buy and hold shares of PTCL.

Insert Figure No. 6 here

Return On Equity (ROE) shows the percentage of net income as a percentage of shareholder's equity. In 2005, PTCL had ROE of 25% which is really a good percentage. It means that shareholders are getting 25% net profit of the amount they invested in PTCL as equity. After privatization, a sharp decline is evident and it goes to negative in year 2008. Currently, PTCL's ROE is just 12.5% which is half of what it was earning in year 2005 before privatization.

Insert Figure No. 7 here

Debt Equity (DE) ratio measures the proportion of debt and equity of a company for its financing purposes. In 2006, debt was 60% of total equity. After privatization, it moved up steadily and reached to more than 90% in 2012. It indicates that debt has raised substantially as compared to equity which also increases the financial charges i.e. expenses of PTCL which may be one of the reasons for bad performance of PTCL after privatization.

Insert Figure No. 8 here

Current ratio measures whether a company can cover up its short term obligations from its short term assets i.e. current assets. The ratio was nearly two in 2005 which means that for every rupee in current liabilities PTCL has two rupees of current assets. It is really a good sign. This ratio declined a bit over the years after privatization but it is now stable to nearly 2. A ratio more than 2 is not considered good because it showed money stuck in receivables or inventories and not converting it into sales. Overall, this ratio seems to be good for the company even after privatization as this company never gone for taking any loans rather injected investment on great extent from directors' board of committee.

Insert Figure No. 9 here

Market value of PTCL share was Rs. 70 in year 2005 which was really at its peak till 2013. In one year, that was the year of privatization, market price of each share dropped to Rs. 40 which showed lack of interest of general investors in PTCL shares. Its market value even dropped to Rs. 12 in year 2012. However, it ends at Rs. 28 in year 2013 which is still less than half of what was in year 2005. Market condition was very stable throughout 2013 that is why general investors and market players were more concerned in buying shares of this company.

6. Discussion

For years PTCL had been an Asian telecom giant, it was considered as a helping hand in terms of economic growth. With selling of 26% shares; the management control was also handed over to Etisalat, usually management control is given to the shareholder that has at least 51% of shares but this unusual activity raised more concerns regarding transparency of privatization of PTCL and soon after privatization, as per analysis of financial statements and indicators; contribution towards economic growth has declined over the years.

As shown in figure 1, revenues of PTCL started to decline after the very first year of privatization, dropping from 90 billion rupees to 55 billion rupees. This was the time when the telecom sector was giving positive signals and contributing well towards the economy but government of Pakistan had some other plans. Due to sharp decline of PTCL's revenues, Net Margin also declined to more than half from 31% to 15% after privatization. Not just these broad indicators, but also other indicators gave negative signals i.e. PTCL's liabilities in the form of debt equity ratio increased after the privatization hence further showing inability of management to improve organizations performance. Similarly, average share price of PTCL was Rs. 70 before privatization but in 2013, it dropped to Rs. 28 which again is one of the negative outcomes of privatization depicting the lack of interest of the investors on the post privatization management. Due to PTCL's poor performance in the stock market, Earning Per Share (EPS) also declined to almost one half. PTCL had 25% of Return on Equity (ROE) before privatization and in year 2013, it declined to 12.5% which is another poor indicator of growth of PTCL failing to attract more investors. Moving on, dividend on share also has shown no change at all after this restructuring, dividends remain at Rs. 2 per share despite passing of 8 years. Lastly, Fixed Asset Turnover (FAT) ratio could not increase after privatization rather remained same to Rs. 1. During privatization, employees had a little say in privatization policy implementation and were not consulted (survivors and victims') in any matter during this process. Literature also supports this result, according to Fatima and Rehman (2012) employees remained in the dark during the entire process of privatization as they do not even know what is going to happen the next day, will they be serving the organization tomorrow or will they be laid off.

Employees of PTCL have given strong arguments against privatization, as most of them think that after privatization, job security has been a major threat for the employees because if job insecurity exists how an individual can come up with optimal performance. According to an employee. Fear of job security exists in the mind of survivors due to immense layoffs after privatization as about 36,000 employees were virtually laid off from PTCL. Even downsizing was not fair in terms of merit as most of the intelligent assets of company were also fired during the process and those people remained who had some sort of links with the management of PTCL. As per one employee,

"I do not know where I will be after twenty four hours". He further added "Situation was just like a bomb which may explode any time, and whoever will come in range will curse his fate".

Referring to the number of complaints and customer satisfaction, employees have totally nullified the achievement of this privatization objective. This objective has not been accomplished so far, though the product line has been diversified but the complaint numbers and frequency is still an issue that needs attention. Moreover, employees could not find any justification of increasing the costs of products and services as according to the respondents, though the costs have increased but still the desired level of service to the customers have not been provided. One of the employees said,

“Even its brutal objective of raising revenues at the expense of customers has not been met, then how can one say that these increased costs are justified?”

Furthermore, victims had almost same views like survivors but they were just being comparatively more straightforward in giving their opinions. The only stakeholder that looks contented from privatization is the management as it was the one who was involved in privatization process. As per management, to compete with others it is necessary to provide better quality of products and services and that is why PTCL management had no other option but to increase the costs. Moreover, downsizing was aimed at reducing the expenditures by removal of excess number of useless human resource, but one may question that even after downsizing why extra revenues were not generated rather they fell down badly. Management thinks that the objectives of privatization are ideal and are in the process of accomplishment. Furthermore, though the financial performance has been declined but in near future, it will boost up.

As far as data collected from customers are concerned, satisfaction in the form of Product diversification and increase in options exists. Customers (33%) feel that products have increased since privatization, in the form of internet service options (DSL), Smart TV, EVO but talking in terms of cost justification, the desired quality has not been provided. On the other hand, 26% customers do not even feel contented with the extent of products and services while 41% of them were neutral in their responses. Rest figures as these are already discussed in Data Collection section.

It is quite evident that most of the customers (53%) want to switch from PTCL as they do not feel pleased with its services and just 31% of the customers want to remain with PTCL while 16% being unsure. One of the most vital part during data collection was that when asked from customers whether they are happy with the pre privatization era of PTCL, 56% of the customers were of the view that they were quite contented with the overall performance of PTCL while just 29% customers were not contented with the performance of PTCL leaving 15% customers having neutral views. Customers were happy with the products and services of the organization but when PTCL got privatized, just 19% of the customers were satisfied with the performance of PTCL after privatization. Last but not the least, huge ratio of customers (51%) feel that changing ownership from government to private hands was not a good idea to increase profits of this telecom giant, rather government itself could have done better in this regard, whereas just 25% customers were of the view that privatization is a good recipe to improve a performance of a public organization, rest 24% respondents were neutral.

7. Conclusion

This study aims at evaluating the decision to privatize one of Pakistan's biggest state owned enterprise using a triangular approach and also attempted to discover this different approach to management of public sector from a global perspective. This chapter concludes the entire study, and summarizes the findings obtained in light of data collected and literature.

Privatization of PTCL also seems to be the part of CSP when one entity is performing so well under the ownership of government, then what was the need to privatize a crucial asset of the country? There must be some foreign interest behind this, or irrational vision of the government, otherwise when one analyzes the outcome of privatization, from each angle i.e. financial performance, customer feedback, and employees, and then there comes a total failure of privatization policy implementation even after 8 years of privatization. Worst side of privatization is that not even NPM claims were achieved but also its appalling impacts in the form of malpractices in case of merit exploitation, employees job insecurity, unscreened layoffs and users (customers) lack of relief are visible in result of privatization.

To conclude, policy decision should have been made in a way that could have accentuated the betterment of the public rather than a few corporate giants. Governments should try to ensure provision of public services at affordable rates by removing the malpractices associated with it rather than getting rid of the entity. Last but not the least, public sector values and objectives are totally different from private sector entities, as public sector objective is to equally provide services to entire public without any discrimination whereas privatization objective is profit maximization, so to impose private sector practices to public sector makes no logic.

8. Recommendations

On the basis of the findings of the study, the researchers present the following recommendations that should be kept in view while considering privatization a solution to the inefficiency of public organizations:

- Instead of taking 'privatization' as the sole solution of the problem, governments should believe on their own skills and should realize that they can control the issues more brilliantly than any third person as they know more about their problems
- Governments should penetrate the power of institutions to grass-root level in order to improve the efficiency of an organization instead of taking the whole power in to their own hands that is how malpractices or inefficiencies of public sector can be minimized.
- Instead of straight away privatizing or outsourcing the strategic assets, governments should first try to remove or minimize negativities associated with it.

9. Limitations

Following are the limitations of the study;

- Results are generalized on the basis of one case.
- Financial Data before 2005 is missing.

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Appendix

Figure No. 1: Revenues (Million)

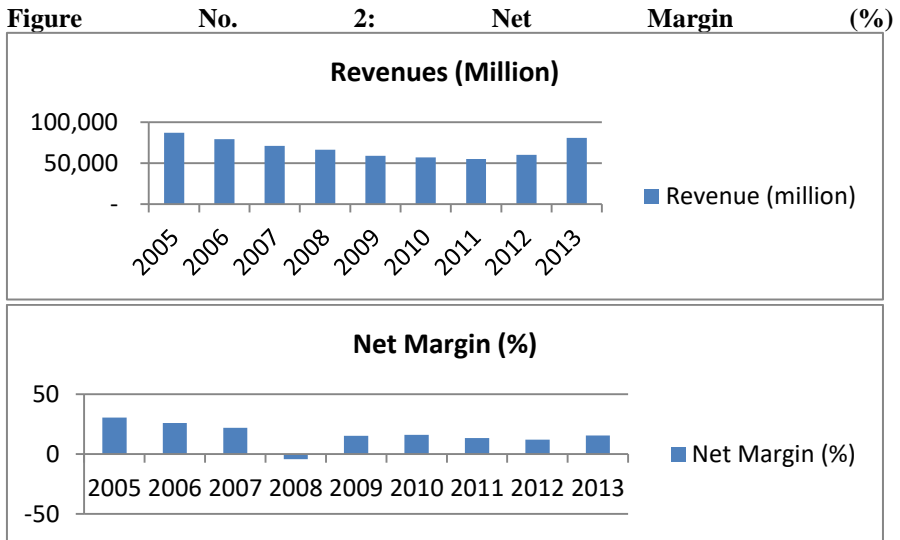


Figure No. 3: Fixed Asset Turnover Ratio

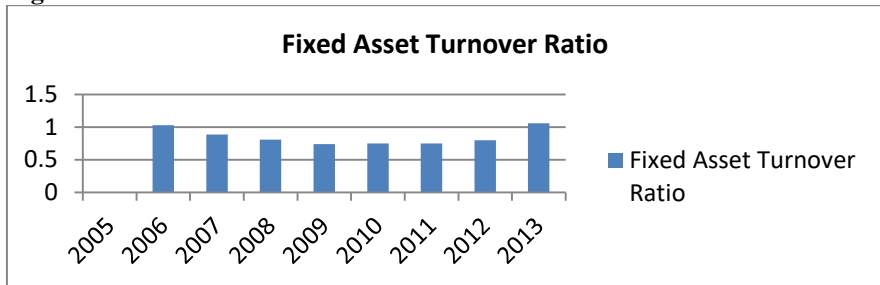


Figure No. 4: Earnings Per Share (Rs)

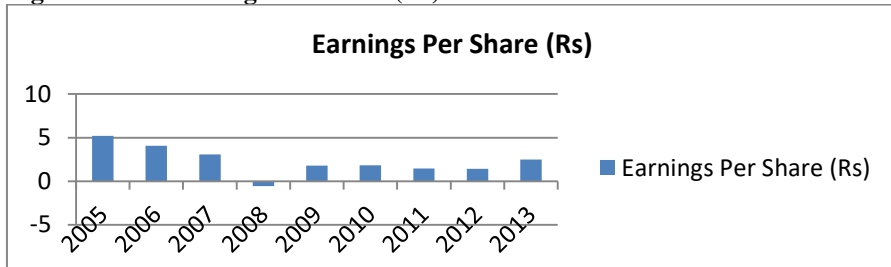


Figure No. 5: Dividends per Share

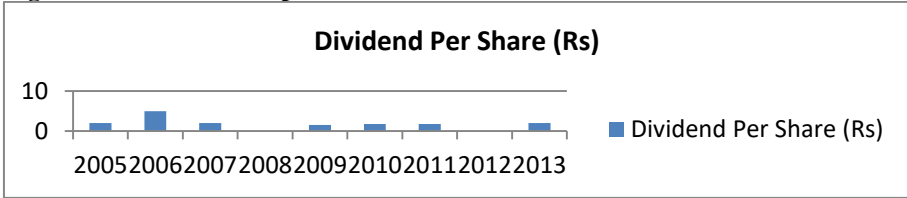


Figure No. 6: Return on Equity (%)

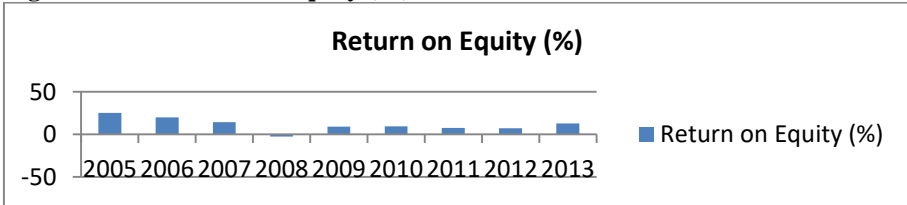


Figure No. 7: Debt Equity Ratio

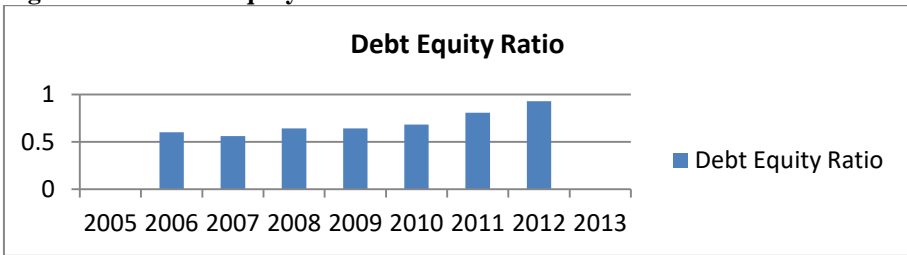


Figure No. 8: Current Ratio

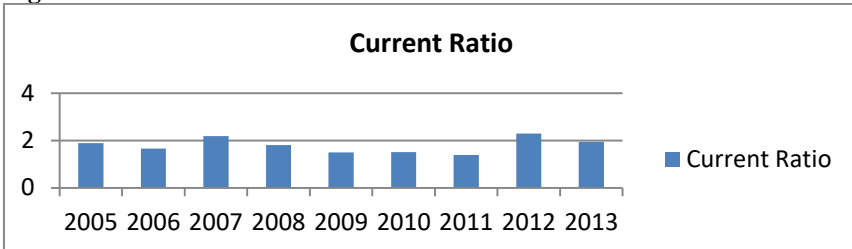


Figure No. 9: Market Value per Share (Rs)

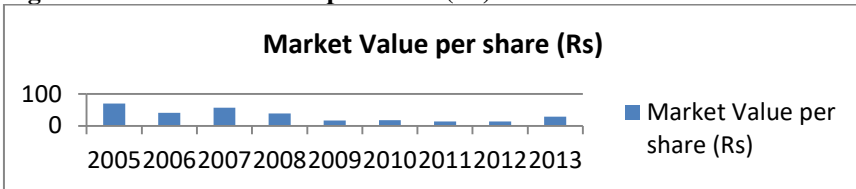


Table No. 1

Characteristics	Percentage
Awareness of PTCL Privatization	
• Yes	80%
• No	20%
Products/Services Usage Tenure	
• 1 to < 3 years	18%
• 3 to <6 years	36%
• 6 years or more	46%
Type of Products Usage	
• Landline	191
• DSL	92
• Wireless Broadband	44
• VPTCL	39
• Smart TV	23
• Others	3
Products Availability as per Requirement	
• Yes	21%
• No	54%
• Not Sure	26%
Satisfaction Level pre Privatization	
• Very satisfied	10%
• Somewhat satisfied	46%
• Neutral	15%
• Somewhat Dissatisfied	16%
• Very Dissatisfied	14%
Satisfaction Level post Privatization	
• Very satisfied	16%
• Somewhat satisfied	19%
• Neutral	22%
• Somewhat Dissatisfied	39%
• Very Dissatisfied	5%
Recommendation of PTCL product/services	
• Very Likely	16%
• Somewhat Likely	9%
• Neutral	33%
• Somewhat Unlikely	19%
• Very Unlikely	25%
Switching to Other Network	
• Very Likely	37%
• Somewhat Likely	17%
• Neutral	16%
• Somewhat Unlikely	21%
• Very Unlikely	11%

Table No. 2

	S.A*	A**	N***	D****	S.D*****
Customer Service Improvement	9%	29%	7%	45%	12%
Product Diversity	10%	23%	42%	19%	7%
PTCL's Products/Service Improvement	10%	17%	32%	22%	21%
Charges of PTCL increased	17%	57%	14%	10%	4%
Increased Cost Justification	8%	13%	9%	47%	25%
Eased Bill Payment	17%	22%	37%	16%	10%
Wait Time Decreased	13%	20%	34%	18%	16%
Complaint Resolution	8%	20%	30%	30%	13%
Frequency of Problems Decreased	12%	15%	30%	21%	24%
Privatization Requirement	15%	12%	24%	32%	19%

* Strongly Agree

** Agree

*** Neutral

**** Disagree

***** Strongly Disagree