

## Lack of Internal Communication in Privatization Process

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**Abstract.** This paper is focused on demonstrating faults of internal communication in the form of internal marketing. The paper employs a case study approach wherein a qualitative data collection was conducted. It used interviews to identify key issues from the perspective of those employed in the case study organization. With special reference to Thailand, the case of the privatization of the Provincial Electricity Authority was examined. It is anticipated that the paper will present internal communication in a positive light, thus encouraging more widespread application to assure successful outcomes in similar projects. In order to focus on the aspects of internal communication, it helped the privatization change agent distributed better and more appropriate information. The employees could develop knowledge and create new mind-sets to go along with the privatization process.

**Keywords:** Privatization, Internal marketing, Internal communication

### 1. Introduction

During privatization, some governments just focus on benefits, finance, regulation, and the desire format in manner similar to other privatized SOEs (Chang *et al.*, 2009). They forget to look back at the key features of state-owned enterprises (SOEs). This reveals flaws in the privatization process and the crucial factors that impact on employees and others who will be directly affected in a period of drastic change. For this reason, a large number of privatized SOEs have had problems with staff and the general public (Nwankwo, 1996; Potts, 1999). Some possible outcomes include invisible organization collapse, poverty increase, corruption increase, and unfairness to the population of countries, particularly with respect to the distribution of social utilities – in particular, the poor and socially excluded (Lodhia and Burritt, 2004). If the privatization process is not done correctly, then the results can be contrary.

In this brief introduction, the paper is designed to demonstrate the lack of internal communication during the privatization process. It is focused on the perspective of employees who are subjected to privatization and who often have little understanding why change is taking place. The next section will address the objective and question of the paper.

### 2. Objective and Question

The objective of the paper is to analyze the lack of internal communication within the concept of internal marketing. The researcher realized that the development of communication within a SOE during the privatization process can be an effective tool to help people involved. It can make the process more effect. This raises the central question of this paper – ‘In what kinds of key issues of internal communication should be developed to facilitate the privatization process more efficiently?’ This is due to the fact that in order to effectively deal with a turbulent period of transformation, such as privatization, a government and a privatization change agent have to let employees have a clear understanding of the privatization’s objectives. In order to reach their objectives, they should use communication within SOEs as a tool to efficiently facilitate a process of privatization. This can help to develop an understanding of the process and also

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generates good will among all the stakeholders, particularly the employees. The next section will establish a background for the research with a review of the relevant literature.

### **3. Literature Review**

Privatization aims to provide services more professionally to satisfy population rather than state-owned bureaucracies. It is more complicated than most people realize or expect (Chang *et al.*, 2009). In order to implement privatization, some SOEs undergo a transformational change. This allows the organizations deal with the three factors of processes individually: - (1) individual, (2) group, and (3) organization processes (Chapman, 2002). These reactions can occur in any complex organization, such as an SOE. This can lead many privatized organizations to confront mistakes and will sooner or later return to affect the whole system of the SOE.

Apart from these factors, the concept of internal marketing should provide the opportunity to seek an appropriate approach to handle privatization efficiency. It encourages the people involved to pay more attention to the employee, a significant resource of SOEs. It helps to motivate employees to 'love' their organization by paying more attention to the employees than they had been previously shown. Furthermore, internal marketing should be able to help some change agents of private organizations and governments deal with the effects on privatization on the stakeholders. It is for these reasons that this paper highlights internal communication as one of the key components of internal marketing. Therefore, this part concerns of privatization and internal communication.

#### **3.1. Reforming state-owned bureaucracies as privatization**

The aim of privatization is to focus on the efficient development of quality products and services. It can be about a transformation of services, products, and facilities or improving patterns of work/ performance from the public sector state-owned enterprise as an effective private entrepreneur (Prizzia, 2001). This includes developing public sector state-owned enterprises to become more responsibility effective for the population. In each country, privatization has been introduced and implemented differently. It depends on how well each government and privatization change agent understand, apply, and manage the transformation process. This is because different SOEs in different countries must do different things. This depends on the environment of the SOEs. There is no ideal method to implement privatization.

#### **3.2. Reducing the gap by communicating internally effectively**

Internal communication helps people to develop better relationships with stakeholders, especially during a transformational change of privatization. It encourages and distributes information, knowledge sharing, and commitment to all stakeholders. It helps to reduce resistance as effective communication can develop openness among stakeholders and change agents, particularly during a period of turbulent change like privatization. Having good and suitable internal communication helps to identify strengths and weakness in the decision-making process (Drake *et al.*, 2005). It also helps to understand employee needs and satisfy their wants. This will include understanding employee attitudes, beliefs, cultural values, and knowledge.

### **4. The Provincial Electricity Authority**

The Provincial Electricity Authority (PEA) is one of a number of profitable SOEs in Thailand. In 2001, the PEA has had to administer processes of change to achieve the goals of privatization (PEA, 2009). This is seen as a move whereby the organization would be better able to serve the Thai population. The PEA aims to keep on improving its productivity while maintaining its safety practise at the maximum levels of reliability, feasibility, and satisfaction (PEA, 2009). This is one of the facets of the many areas of change that has resulted from the introduction of the privatization process at the PEA. Under the plan, the PEA has to reorganize the organization to make it become a private enterprise (PEA, 2009). As a nationwide entrepreneur, the organization employs a large staff along with having a large diversity in levels or authorities (PEA, 2009). Until now, the privatization has been put on hold due to a decision by Supreme Administrative Court (SAC) resulting in opposition to the ideal of privatizing the Electricity Generating Authority of Thailand (EGAT) (Chareonwongsak, 2007).

## 5. Methodology

This research involves a case study approach conducted at the PEA. It was chosen as this was seen as the most suitable way to assist the researcher to have an ability to pinpoint the attributes and characteristics of a specific organizational context. The choice of a case study also helps the researcher to have a clear understanding of the real situation, employee' attitudes, beliefs, behaviours, culture values, knowledge, and their reactions to the privatization. The research data collection was undertaken between the years 2004 and 2005. It used a qualitative form, involving interviews as the details are provided in the next section.

### 5.1. Qualitative data collection

In this data collection, qualitative interviews were employed. The main round of interviews was preceded by a pilot round, involving five interviewees. Four of these were from inside the organization, representing operational, management, senior management, and executive levels. The fifth participant came from outside the PEA. This participant was chosen to take part, because he or she would locate irrelevant questions that required editing. It could also help to estimate an approximate time that would be required for each interview. The pilot interviews were successful in assisting with a refinement of the proposed interview questions.

Semi-structured interviews were used with the initial questions developed by drawing on key terms from the relevant literature. The aim of this interview was to encourage the interviewees to explore, explain, and describe what happened in their own words without exerting bias and undue influence. The main interviews were conducted with the support of twenty people, again representing the four levels of positional hierarchy, who were based across the geographical operations of the PEA. The interviews were conducted in a setting where privacy could be assured.

At the beginning, the interviewees were told of the time required to complete each interview, a guarantee given of the anonymity, and confidentiality of any information, they would provide. With permission the interviews were audio recorded to enable the researcher to concentrate on interactions within each session. This also allowed the researcher to transcribe the interviews to facilitate the coding process. It was important that the researcher undertook this task because she was familiar with what transpired within each interview so guaranteeing the accuracy of the data. At this point the services of a native English speaker were utilized. This was necessary to assist in the translation of the interviews from Thai to English. This work was undertaken only following the completion of a confidentiality agreement. To assure that all the information from the interviewees would not be disclosed to any third party. This agreement included protecting the information from copying, recording, or retention after transcription and translation were performed. Once the data transcription was completed an adaptation of thematic coding was then used for analysis.

## 6. Findings and Discussion

This section presents the key findings that have been identified through in-depth questioning during the study conducted in the case study of the PEA. This data is in effect, an expansion of the content of the in-depth interview findings explicated in the qualitative method. This part consists of preliminary qualitative findings.

The study found that most of the time, the employees received unclear communication about the privatization. There were also many unclear viewpoints presented to them. There were sometimes informed sources that positively impacted the process. This led some employees to distrust both the organization and the process. The following statements from the interviews offer support for this:

*“What I know was there was no problem because what we have been doing was following orders, as the bureaucratic system was still here.”*

*“We did not receive proper communication about the privatization at the PEA. What we have been doing was following orders.”*

This variety of informed sources came from many communication channels. Some of them came from news of the talk among colleges and items on the news or in newspapers, instead of receiving the

information from the privatization change agent, particularly with the employees at lower levels of the organization. As the quotes below clearly show:

*“We often talked among colleagues about the privatization instead of receiving proper communication from the change agent of the privatization. This was because we were at lower levels of the organization.”*

*“We did not often receive appropriate communication from the change agent of the privatization. This was because we were at lower levels of the organization and the organization was nationwide with a huge hierarchy.”*

This is one of the problems that stem from a lack of internal communication that can cause conflict and opposition against the PEA privatization. For this reason, having proper internal communication helps the privatization change agent and the government to identify strengths and weaknesses in a process of decision making (Drake *et al.*, 2005). It also helps to meet the employees' needs and satisfy wants.

As a SOE, the PEA is bureaucratic in structure, as evidenced by the following statement: *“It was bureaucratic with a huge hierarchy.”* and *“The culture of the organization was the bureaucracy,”* This kind of hierarchal structure could lead to gridlock and a reduction in the efficacy and effectiveness of internal communication. Additionally, the privatization change agent was unable to gain some insight into the organizational environment and could not develop a clearer understanding of this culture. One cause was the structure of the communication chain was long. This led the process of the communication be slow. The distribution of communication took the length of time to filter down in the numerous levels below. This caused the organization to face internal communication problems, as well as having problems in achieving internal communication development. Most of the employees, particularly those at the lower levels of the organization, had less chance to communicate properly. They also had less chance to provide effective feedback about what they thought, liked and disliked. This is because there could be negative repercussions for doing so, as the evidences had shown:

*“However, we had to follow what they said. Even if we could say anything, that would not be good for us. In fact, we could not say anything out loud.”*

*“The communication about the privatization was lack. Although there were public hearings but you knew they were made to have only. Nothing would be carried on, eventually. That was it.”*

As the PEA is bureaucracy with a large, complex hierarchy, it has an impact on employees who receive communications. The study found that the employees at higher levels mostly had more opportunities to receive communication than the employees at lower levels of the PEA. The study also found that those employees at higher levels in the PEA were more likely to receive communication than those working at lower levels in the organization. This is because that a huge, hierarchical organizational structure caused the privatization change agent and the government could not distribute or share information or suitable communication, particularly with the lower levels of the organization. It led to a lack of lower level employees to be involved in the process.

The study also found that no one came to discuss the situation with the employees. There was also no reasonable explanation for the privatization given to the employees to obviate their confusion. In contrast, they were ordered to agree to follow the plan instead. Internal communications regarding the PEA privatization did not flow properly. Interruptions and errors frequently occurred. There was limited knowledge of or a lack of understanding of the employees and their feelings. These were caused by poor communication internally. There was no proper communication techniques applied during the course of the PEA privatization. This led to an impact on the information. For example, the information was unclear and so the employees could not properly understand it. Consequently, there was a misunderstanding regarding the process. There was no reliable source that the employees could receive impartial information from, thereby gaining their trust in the privatization strategy.

Moreover, the privatization was practically reforming the entire organization and this affected the employees directly. During that time, the study found that the PEA had to implement privatization to meet the Thai government's decision to improve the organization. However, the organization was too large; its structure was too deep. It also had too many branches in regional areas around the country. These factors

made it extremely difficult to provide suitable internal communication at all levels and in the branches in an efficient manner. Furthermore, the privatization change agent was not keen on providing appropriate communication techniques with good resources to all employees around the country. Another problem was that most individual, including the privatization change agent, were stuck with the bureaucratic system, in which they could give orders to employees without providing exact reasons for these orders. One major problem is because of the size of the organization, there were many branches, called regions, around the country. This made it very hard for the privatization change agent to efficiently provide good communication to all branches.

Another major problem is a key factor from outside the organization, particularly from the government and other political groups. This influenced the organization not to provide a good internal communication system with clear resources to the employees. The lack of internal communication could have a huge effect on the privatization process. If the organization and in particular, the privatization change agent, can apply the concept of internal marketing and start thinking of their employees as customers, then the organization will be able to implement an appropriate communication techniques (Drake *et al.*, 2005). As a result, their employees or internal customers should not misunderstand the process of change. Moreover, the organization should allow the Marketing Department and the Human Resources Department to integrate their strategies to help deal with the process effectively. Therefore, to apply the appropriate internal communication in a form of the internal marketing to the privatization process can help the organization to create positive perspectives for the employees to the process of change and can motivate the employees to help the organization privatizes effectively (Drake *et al.*, 2005).

## 7. Conclusion

To implement a privatization program in the PEA, there has been demand for more effective internal communication techniques and clarification of the methods undertaken. Specific details, plans, and potential solutions for privatization have not been transparent. This failure is due in part to ineffective management of information leading to internal communication breakdown. The application of the concept of internal marketing in regard to internal communication can positively support the understanding of stakeholders. It can encourage on the motivational level, improve the attitudes and knowledge of managers and employees towards the privatization process. With significant characteristic of internal communication helps privatization change agents develop better understanding with stakeholders, particular with employees. It helps to reduce contradictory information about the same situation of privatization. It also protects people who will use information about privatization as a political tool.

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