

THE FACTORS THAT INFLUENCE THE PUBLIC READINESS FOR CHANGE TOWARDS PRIVATISATION JOB IN THE UNITED ARAB



DOCTOR OF PHILOSOPHY



Institute of Technology Management and Entrepreneurship

THE FACTORS THAT INFLUENCE THE PUBLIC READINESS FOR CHANGE TOWARDS PRIVATISATION JOB IN THE UNITED ARAB EMIRATES

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A thesis submitted in fulfillment of the requirements for the degree of Doctor of Philosophy



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

DEDICATION

I would like dedicate my highest acknowledgement to my beloved family for always being with me through all the hardship of my study by giving consistently support and encouragement.



ABSTRACT

Privatization has become a global phenomenon and is still among the top priorities in the policy agenda of developing and transitional countries. Due to open economic policy and deregulation, the private sector in UAE is progressing well. Privatization leads to change management of organization. In term of privatization, it is importance for managing the people who's involved within the structure as the people are the vehicle for success of change. Correspondingly, employees' readiness is one of the most important aspects of change because readiness is associated with a belief, attitudes and intentions regarding the extent to which changes are needed and the organization can change successfully. However, the change towards privatization job in UAE still slower to be adapted as the public readiness for it still have not fully studied. Therefore, this study proposed a public readiness to change model towards privatization job in the United Arab Emirates. There are three objectives of this study. First, is to analyze the dimension to determine the readiness toward privatization job. Second, is to design a new public readiness for change model of privatization job. Third, is to validate the proposed model in job privatization. The study opted for an exploratory study using a systematic review will be conducted to find the gaps and parameters influencing the readiness for change of public organization. The research study is conducted in UAE with the estimated sample size is 357 respondents. To develop public readiness model towards change of privatization job, the data were analyzed based on regression model to test the six hypotheses. The results derived show significant values on Self-Esteem, self-efficiency, leadership competencies and Salary competencies which recorded P-Values of 0.027 0.050, 0.000 and 0.050 respectively that implies significant relationship with influence on enhance change public readiness model are accepted, while the hypothesis related to management support and communication factors are rejected. Based on hypothesis testing and analysis, there is a strong relationship between the significant attributes of public readiness model for change in privatization among UAE citizens with significant R-value which validated the propose model. Overall, the adoption of this model contributes to the impact of organization perspective in assessing the readiness for change that incorporates pertinent antecedents to a public organization in smart government context.

FAKTOR YANG MEMPENGARUHI KESEDIAAN AWAM UNTUK PERUBAHAN KE ARAH PENSWASTAAN KERJA DI EMIRIAH ARAB BERSATU

ABSTRAK

Penswastaan telah menjadi fenomena global dan masih menjadi salah satu keutamaan dalam agenda dasar negara-negara membangun dan negara-negara peralihan. Disebabkan oleh dasar ekonomi terbuka dan deregulasi, sektor swasta di UAE berkembang dengan baik. Penswastaan membawa kepada pengurusan perubahan dalam organisasi. Dalam konteks penswastaan, adalah penting untuk menguruskan orang yang terlibat dalam struktur tersebut kerana mereka adalah kenderaan kejayaan perubahan. Sehubungan itu, kesediaan pekerja adalah salah satu aspek paling penting dalam perubahan kerana kesediaan dikaitkan dengan kepercayaan, sikap dan niat mengenai sejauh mana perubahan diperlukan dan organisasi boleh berubah dengan jayanya. Namun, perubahan ke arah penswastaan kerja di UAE masih lambat diadaptasi kerana kesediaan awam untuk itu masih belum sepenuhnya dikaji. Oleh itu, kajian ini mencadangkan model kesediaan awam untuk berubah ke arah pekerjaan penswastaan di Emiriah Arab Bersatu. Terdapat tiga objektif kajian ini. Pertama, adalah untuk menganalisis dimensi untuk menentukan kesediaan terhadap pekerjaan penswastaan. Kedua, adalah untuk mereka bentuk model baru kesediaan awam untuk perubahan dalam pekerjaan penswastaan. Ketiga, adalah untuk mengesahkan model yang dicadangkan dalam penswastaan pekerjaan. Kajian ini memilih kajian eksploratori menggunakan kajian sistematik untuk mencari jurang dan parameter yang mempengaruhi kesediaan untuk perubahan dalam organisasi awam. Kajian ini dijalankan di UAE dengan saiz sampel yang dianggarkan ialah 357 responden. Untuk membangunkan model kesediaan awam terhadap perubahan dalam pekerjaan penswastaan, data dianalisis berdasarkan model regresi untuk menguji enam hipotesis. Hasil yang diperoleh menunjukkan nilai yang signifikan pada Harga Diri, Kecekapan Diri, Kecekapan Kepimpinan dan Kecekapan Gaji yang mencatatkan Nilai-P masing-masing 0.027, 0.050, 0.000 dan 0.050 yang menunjukkan hubungan yang signifikan dengan pengaruh terhadap peningkatan model kesediaan awam diterima, manakala hipotesis berkaitan sokongan pengurusan dan faktor komunikasi ditolak. Berdasarkan ujian hipotesis dan analisis, terdapat hubungan yang kuat antara atribut yang signifikan dalam model kesediaan awam untuk perubahan dalam penswastaan di kalangan warganegara UAE dengan nilai-R yang signifikan yang mengesahkan model yang dicadangkan. Secara keseluruhannya, penerapan model ini menyumbang kepada impak perspektif organisasi dalam menilai kesediaan untuk perubahan yang menggabungkan pendahulu yang berkaitan dengan organisasi awam dalam konteks kerajaan pintar.

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LIST OF ABBREVIATIONS

UTeM - Universiti Teknikal Malaysia Melaka

PLS - Partial least square

UAE - United Arab Emirates

SPSS - Software Package for Social Sciences

HTMT - Heterotrait-Monotrait Ratio Of Correlations

ARAMCO - The Arabian Oil Company

MENA - Middle East and North Africa

HR - Human Resources

AED - United Arab Emirates Dirham

KM - Knowledge Management

ADKAR - Awareness, Desire, Knowledge, Ability, Reinforcement

SEM - Structural Equation Modelling

AVE Average Variance Extracted

KMO - Kaiser-Meyer-Olkin

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LIST OF SYMBOLS

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% - Percentage

n - Sample size

 x^2 - Chi-square of degree of freedom 1 and confidence 95% = 3.841

N - Population size

e² - Acceptance sampling error

p - Proportion of population



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LIST OF PUBLICATIONS

- Ali Abdulla, N.A., 2020. The influence Factor of Individual Readiness for UAE Privatization. *Test Enginnering*, 24, pp.12476–12482.
- Ali Abdulla, N.A., Abdullahrahman, F.R., Kudus, N., Kamalrudin, M., Akmal, S., and Hakimi, H., 2024. The Conceptual Framework of Readiness for Change Towards Privatisation Job in Public Organization. *International Journal of Academic Research in Business and Social Sciences*, 14(7), pp.971–980.



CHAPTER 1

INTRODUCTION

1.1 Introduction

Privatization involves the transfer of ownership and control of government-held assets, enterprises, or services to private entities, such as companies or individuals. Essentially, it encompasses the sale or delegation of state-owned functions or assets to private entities. The Middle East has undergone substantial economic and social transformations due to privatization, with an increasing prevalence of change in the public sector. However, the crucial role of public servants in adapting to these changes often goes unnoticed. In the UAE, examining privatization's impact on the public sector and the role of public servants is vital due to the nation's commitment to economic diversification, efficiency, and innovation. As the UAE strives to reduce reliance on oil revenue and cultivate a diverse and resilient economy, understanding how public servants can navigate privatization-induced changes becomes paramount. Recognizing the significance of public servants in driving efficiency, innovation, and addressing social implications is essential for a successful transition, influencing policy formulation and fostering workforce development to align with evolving economic and societal needs. This proposal aims to establish a model for organizational readiness for change within the public sector, commencing with a comprehensive background, followed by a discussion of the motivation driven by privatization's impact on public organizations. Subsequently, the problem statement is presented, elucidating the research aim, objectives, and questions. The subsequent section explores the significance and scope of the research, outlining the proposed methodology to achieve the research objectives.

1.2 Background

The contemporary Middle Eastern environment, marked by dynamic and turbulent shifts in political, social, and economic dimensions, necessitates proactive change management for both economic growth and organizational survival (Koleva, 2021). This imperative is particularly pronounced in the United Arab Emirates (UAE), where ongoing social, demographic, and economic transformations underscore the urgency to enhance service delivery (Nuseir and Aljumah, 2020). Amidst these changes, the pressure on organizations and government institutions to adapt their traditional systems and employment practices intensifies (Leo, Alsharari, Abbas, and Alshurideh, 2021). Recognizing the need for successful change and innovation to enhance organizational effectiveness and competitiveness, the UAE government has embraced privatization as a strategic tool for comprehensive institutional reforms (Holt and Vardaman, 2013). The shift from a resourcedependent economic model, primarily reliant on oil, is deemed unsustainable due to factors like a lack of local workforce diversity and skills, increasing demands for public services, and insufficient innovation (Halaoui et al., 2017). Privatization is anticipated to mitigate these challenges by fostering a workforce with enhanced skills and a more diversified, resilient economy (Khan, 2019).

Drawing from successful global implementations, the concept of privatization finds roots in the United Kingdom under the leadership of Prime Minister Margaret Thatcher, who pioneered privatization by divesting state-owned enterprises such as British Petroleum, British Aerospace, and British Airways, among others (Lopez-de-Silanes et al., 1995). The

model has since been replicated in various countries, including the United States (Lopez-de-Silanes et al., 1995), Singapore (Huat, 1990), Malaysia (Arokiasamy, 2013), and Saudi Arabia (Al-sarhan and Presley, 2001). In the USA, privatization involves contracting public services to private companies, encompassing activities ranging from waste collection to managing hospitals and schools (Lopez-de-Silanes et al., 1995). Similarly, Malaysia's privatization efforts aim to alleviate the financial and administrative burden on the government, enhance skills and production, accelerate economic growth, and reduce the public sector's size and involvement in the economy (Lee, 2023).

Saudi Arabia initiated its privatization journey by contracting out oil operations to the Standard Oil Company, forming ARAMCO in 1993 (Al-Sarhan and Presley, 2001). This led to numerous joint-venture manufacturing projects involving public and private sectors, incorporating foreign capital and expertise (Al-Sarhan and Presley, 2001). Despite the substantial role of state-owned enterprises (SOEs) in economic change, their contribution and the overall impact of privatization initiatives in the Middle East and North Africa (MENA) region remain underexplored, particularly in comparison to developed and transitional economies (OECD, 2013; Nheri, 2014).

While the Arab world has been slower in adopting privatization practices, this lag provides an opportunity for learning from both successful implementations and barriers encountered elsewhere (Al Ameri and Al Ameri, 2017). In the UAE, privatization has experienced significant growth and is expected to play a major role by 2020 (Ministry of Information, 2015). This shift towards privatization inherently implies organizational change management. Research consistently underscores the significance of managing individuals within the organizational structure, recognizing them as pivotal to the success of change

initiatives (Smith, 2005). Notably, employees' readiness emerges as a crucial aspect of change, embodying beliefs, attitudes, and intentions regarding the necessity and feasibility of organizational changes (Smith, 2005).

1.3 Problem Statement

In the realm of global privatization dynamics, the Middle East plays a crucial role in shaping policy agendas, particularly in the domains of Human Resource (HR) management and organizational development (Kolachi and Akan, 2014; Singh and Sharma, 2015; Elbanna, Obeidat, Younis, and Elsharnouby, 2023). As oil-rich nations actively diversify their economies to reduce reliance on oil revenue, the quest for skilled human resources becomes paramount (Manafi and Subramaniam, 2015; Obeidat et al., 2014). Simultaneously, initiatives to prioritize local talent and create employment opportunities for native populations respond to the challenges posed by rapidly growing populations (Goby et al., 2015; Matherly and Al Nahyan, 2015; Boonbumroongsuk and Rungruang, 2021). Countries such as Saudi Arabia, Oman, and the United Arab Emirates (UAE) exemplify these efforts through 'nationalization programs,' which reserve jobs for locals.

While the private sector in the UAE has prospered due to open economic policies and deregulation (Sarker and Al Athmay, 2017), the government confronts a significant challenge related to the employable skills and mindset of the local workforce. Many Emiratis exhibit reluctance to engage in the private sector, particularly in lower-level positions, significantly impacting the HR function's role in enhancing organizational performance (Mahfar, Shah, and Musa, 2020).

Amidst this complexity, skepticism among young Emiratis persists, despite government encouragement (Rizvi, 2018). Disparities in benefits, such as holiday entitlements and salary discrepancies, contribute to this scepticism (Kaur Bagga, Gera, and Haque, 2023). Furthermore, organizational changes often encounter resistance due to poor diagnosis and handling (Goksoy, 2012). Organizational change has long been viewed as an impediment because of people's reluctance to accept new ways of working (Men, Yue, and Liu, 2020). On the other hand, scholars are beginning to question the ubiquitous belief in resistance and present a more complicated perspective of people's attitudes toward organizational change. According to Alolabi, Ayupp and Al Dwaikat (2022), the imposition of change or how change is imposed on people may be the root of people's reluctance to adapt. There are several ways to describe positive attitudes, including readiness for change, responsiveness, absorptive capacity, change assessments, innovation ambidexterity, and organizational commitment to change (Hameed, Khan, Sabharwal, and Arain, 2017). In addition, positive attitudes have been labeled as resistance to change, skepticism, intent to oppose change, and organizational inertia (Küsel, Martin, and Markic, 2020). A person's awareness of organizational change is compelling and significant. Li, Sun, Tao and Lee (2021) concluded that it is important to consider why change is necessary to plan for change. His work also addressed why a company replaces old routines and systems, whether workers can coexist during the adjustment process, which is full of challenges and uncertainties, and how they communicate with the new system. Yet, what remains notably underexplored in the context of organizational privatization change, particularly in the UAE, are the individual and interpersonal factors pivotal to a successful transition (Alolabi et al., 2022). Psychological dimensions like self-esteem and self-efficacy, influencing readiness for change, warrant deeper exploration. While existing studies acknowledge the significance of mindset and skills, a comprehensive examination of how these personal factors intersect with organizational change in the privatization context is lacking (Zaman et al., 2021). Communication, an essential element in change management, has not been thoroughly explored concerning organizational privatization (Men et al., 2020). Effective communication is critical to managing resistance and facilitating a smooth transition, yet specific challenges and strategies within this unique context remain insufficiently addressed (Chatterjee and Chakraborty, 2021). Similarly, the roles of management support, leadership competencies, and salary structures in the privatization process have been overlooked (Aldhaheri, 2023). How leadership qualities impact employee readiness for change and how management support aligns with successful organizational transitions in the UAE merit exploration. Additionally, the influence of salary structures on motivating or demotivating employees during privatization remains an underdeveloped area.

The advent of the Smart Government initiative in the UAE adds complexity to the organizational privatization landscape (Alefari, Almanei, and Salonitis, 2020). The integration of technology, as part of the Smart Government initiative, necessitates a focused exploration of how digital transformation influences organizational change. Understanding how the principles of smart governance intersect with individual and organizational readiness for change becomes crucial (Saif Almuraqab, 2020). This includes investigating how the adoption of innovative technologies and data-driven decision-making processes impact the overall change dynamics within the context of organizational privatization.

In conclusion, while the existing discourse on organizational privatization in the UAE has offered valuable insights, the exploration of individual and interpersonal factors specifically self-esteem, self-efficacy, communication, management support,

leadership competencies, and salary alongside the implications of the Smart Government initiative, demands further attention (Bhattacharjee, Dersel, Shanableh, Darwish, and Al-Samarai, 2020). Understanding these dimensions and their interaction with technological advancements can significantly enhance the success of privatization efforts, offering a holistic perspective that combines both organizational and individual readiness for change (Halim, Osman, Al Kaabi, Alghizzawi, and Alrayssi, 2023). This underscores the need for future research to delve deeper into these critical factors, contributing to a more comprehensive understanding of the complex dynamics involved in organizational transitions within the unique context of the UAE's Smart Government framework.

1.4 Research Question

To guide this research, the following research questions will be explored:

- i. What is the relationship between self-esteem and self-efficacy in influencing the impact on readiness for change?
- ii. How does communication contribute to and affect readiness for change?
- iii. Do the contributions of management support, leadership competencies, and salary structures play a mediating role in the overall readiness for change in organizations undergoing privatization in the UAE?

1.5 Research Objective

The primary goal of this research is to propose an innovative framework for assessing the security readiness of public organizations in the context of smart government. The specific objectives of the study are outlined as follows: