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Firm ownership and work motivation: An empirical study on the transition in Bulgaria and Hungary, 1994-1995

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\[ R = 3 \]
\[ t = \text{Wash Study} \]
\[ t = \text{Motivation} \]
\[ t = \text{Economic reform} \]
\[ t = \text{Corporate ownership} \]

\[ S = \text{Bulgaria} \]
\[ S = \text{Hungary} \]

Paper presented at the 'Organizational Change in Transition Economies Workshop.
Abstract

This paper focuses on the role of work motivation of individual workers as one of the factors determining the process and outcomes of organizational change in transitional economies. The effects of firm-ownership on motivation are investigated empirically using data from a longitudinal study carried out in Bulgaria (N=1025) and Hungary (N=806) in the period May 1994 till November 1995. Job involvement and organizational commitment are taken as indicators of work motivation. It is hypothesized that (1) workers in state-owned firms show lower work motivation than workers in private-firms, (2) workers in firms with stable ownership show an increase of motivation over time, and (3) workers in firms that were privatized show a larger increase in work motivation than workers in firms with stable ownership. In testing the hypotheses a comparison is made between three groups of workers: those who continued to work in state-owned firms, those who continued to work in privately-owned firms, and those who worked in firms that were privatized. Since it appears that some firms were de-privatized, i.e. changed in ownership from private to state, the effects of that change are also analyzed. The analyses are performed for the two countries separately.

Since the results give only partial support to the hypotheses, a further analysis is carried out, which shows that private firms do not offer uniformly better conditions to their employees than state firms. The results are interpreted as showing workers’ responses to the uncertainties of organizational change, the hardships of life during the transition, and the peculiarities of the privatization process. It is also mentioned that workers show limited sensitivity to their working environment and preserve work attitudes developed in former times, so-called 'ego-centrism at work'. The paper concludes with some suggestions for further research and firm policy concerning the topics of organizational structuring and job design, management-employee relationships and HRM-policies.

Keywords: Economic transition, Privatization, Organizational behavior, Work motivation, Hungary, Bulgaria
1. Introduction

The transition from centrally planned to market economies is often presented as a typical problem of economic policy. It is commonly assumed that a successful transition can only be brought about by a proper package of policy measures, including macro-economic stabilization, price liberalization, privatization, economic restructuring, industrial policy, regional policy and institutional reform. Privatization is often assigned a key role. Frydman & Rapaczynski (1994), for instance, believe that the change towards private ownership will overcome the core deficiencies of the planning system, that is lack of incentive and motivation. Economic policy is only part of the story, though. The overall transition process can not be expected to bear fruit unless there is effective change at the level of the firm, and this implies a major role for individuals, both as managers and as employees. In this paper we adopt a psychological perspective and concentrate on individual employees and their work motivation. The general assumption behind our study is that a moderate to high level of work motivation is a necessary, though not sufficient condition for successful organizational change and performance. However, individual behavior is not only a determinant of organizational processes and outcomes. It is at the same time also being determined by what happens in organizations and in society at large. Thus, one should view the transition process as a recursive causal chain, in which human activity is being shaped by earlier events and is shaping subsequent events.

We believe that empirical research on the interaction between the macro and the micro level are of great importance for improving our understanding of the successes and failures of change processes in transitional economies. It may also help to clarify such paradoxes as that policy measures which are considered preferable from a macro-economic perspective affect peoples' expectancies and behaviours in an adverse way, and produce counteractive effects. To the degree that this belief is correct, macro-micro research may help to develop more sophisticated and effective transition policies.

The focus of this study is on the relationship between a factor from the macro-economic domain, i.e. firm ownership, and a number of factors relating to the work motivation of
individual employees. We want to investigate whether changes in firm-ownership do have an influence on motivation and related work perceptions and attitudes, since that might affect subsequent work performance and firm outcomes. More in particular we would like to find out whether privatization has any motivational effects that can be expected to facilitate the process of transition.

2. Firm ownership and organizational behavior

The literature provides only few references to studies on firm ownership and organizational behavior, and most of these have to do with employee-ownership rather than state or private ownership (e.g. Ben-Ner & Jones, 1995; Paul, Edabi & Diltz, 1987). In economic publications it is often assumed that firm ownership has a relationship with firm governance, which in its turn is thought to affect employee behavior. For instance, Mann, Lenway and Utter (1993) postulate a causal link between privatization, governance, and performance based the management of incentives within the firm. Research by Kornai has revealed a prevalent pattern of governance in Communist Hungary and several other state-owned economies (see Kornai, 1992). He describes how 'soft budget constraints' incite enterprise managers to make excessive demands on state bureaucrats, which subsequently leads to chronic shortage of goods and services. This situation has been mentioned as a source of worker opposition and dissatisfaction (Héthy & Makó, 1989).

This kind of research, however interesting, cannot be considered as demonstrating the existence of causal links between ownership, governance and organizational behavior. Only few studies have more systematically addressed the issue of firm ownership and governance, but failed to confirm the hypothesized link (e.g. Chavance & Magnin, 1996). Research on ownership and organizational behavior is even more scanty. An example is a study by Bourantas and Papalexandris (1993) on employees in the public and private sector in Greece, which shows marked differences in organizational commitment, general satisfaction, positive reward, and organizational performance in favour of the private firms. The authors also find somewhat more productive leadership in the private firms. A study
on privatization in a British firm (Nelson, Cooper & Jackson, 1995) demonstrates some change in job satisfaction over time reflecting the stages of the change process rather than a difference between the ownership forms.

A number of researchers have investigated management buy-outs in Western countries and looked for the effects on the firm. These studies suggest that management buy-out may lead to greater motivation of the new owners (Thompson, Wright & Robbie, 1992), positively affect social relations among senior managers, improve decision-making, and contribute to the culture change (Green & Berry, 1991). Impacts on employees have not been covered by these studies.

All in all the literature offers more ideas on the link between firm ownership and organizational behavior than empirical evidence. There are some indications that work motivation is higher in private firms than in state firms, but on privatization and motivation data are still lacking.

3. Hypotheses

The present study focuses on firm ownership and employee motivation under conditions of economic transition. It departs from three hypotheses which were generated on the basis of general notions of management and organizational behavior and observations of the conditions in Eastern Europe during the early 1990's.

As we read the literature a relationship between firm ownership and work motivation is plausible since state firms and private firms are likely to differ with respect to some factors on which work motivation depends. Privately-owned firms, relying on the market for their profits and survival, are likely to give employees feedback about their performance and to reward them accordingly. State-owned firms, on the other hand, tend to emphasise rules and instructions rather than outcomes, and to reward employees according to their formal position or the expression of loyalty to the management. Both feedback on
performance and contingent rewards are considered to be important precursors of work motivation (Locke & Latham, 1990). State-owned firms are more likely to be organized in a rigid, mechanical fashion on the basis of political hierarchy and a far-reaching division of work. Thus, in comparison with private firms, one would expect more jobs with little autonomy, variety, task identity and task significance. Since these factors are known to contribute to work motivation (Fried & Ferris, 1987; Glisson & Duric, 1988), one would, as a consequence, expect a lower level of work motivation in state-owned firms. Our hypothesis is that:

1. workers in state-owned firms show lower work motivation than workers in privately-owned firms.

Privatization is just one of the changes to which employed people in a societies with a transient economy are exposed. There are several other factors which affect people’s working life. Of great importance are their salary and the amount of tax to be paid, which determines their purchasing power as well as their social status, well-being, health and so on. There may also be influence of the overall change on the resources and the performance of the firm, and indirectly on the achievement opportunities for workers. Hence, we hypothesize that:

2. workers in firms with stable ownership - either state or private - show an increase in work motivation.

In view of the differences between state firms and private firms mentioned above, we expect that workers employed by firms which are privatized show an increase in work motivation. This change should be larger than the change observed as an effect of the overall transition. In addition we expect that the level of motivation after privatization will be larger than in the state firms and smaller or equal to that in the private firms. Our hypothesis is that:
3. Workers in firms that are privatized show an increase in work motivation, larger than that in firms with stable ownership.

In this study we will use two indicators of work motivation, i.e. job involvement (Lodahl & Kejner, 1965) and organizational commitment (Steers, 1977). Our analysis will not be restricted to work motivation in *sensu strictu*, however. We will also study two variables that can be considered as proximal precursors of work motivation, i.e. responsibility and meaningfulness (Hackman & Oldham, 1980), as well as two proximal outcome variables, i.e. job satisfaction (Cranny, Smith & Stone, 1992) and expenditure of effort (Roe et al., 1997). Since these four variables are known to correlate positively to job involvement and organizational commitment we expect that our hypotheses will also hold for them. Thus, we expect employees in state-owned firms to experience less responsibility and meaningfulness, to be less satisfied and to spend less effort than employees of private firms. Similarly we expect increases over time in these variables, as well as increases with privatization.

4. Method

The data used for testing the aforementioned hypotheses come from a study on work motivation and quality of work carried out in Bulgaria, Hungary and the Netherlands, during the period 1994-1997.

Samples

In this study we use data provided by Bulgarian and Hungarian employees. Our samples are approximately representative with respect to gender, job level and economic sector (industry and service), as well as geographic area with the exception of rural areas. The data were collected in two waves, with an interval of 18 months, using the same panel of

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1 The study was carried out by the authors under contract ERB-CIPACT 930356 with the European Commission.
respondents. The first administration of the instruments took place in May 1994, the second one in November 1995. The overall sample sizes are presented in Table 1.

Table 1. Sample sizes of the study Work Motivation and Quality of Working Life, Bulgaria and Hungary, 1994-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>BULGARIA</th>
<th>HUNGARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1106</td>
<td>1207</td>
</tr>
<tr>
<td>1995</td>
<td>1025</td>
<td>806</td>
</tr>
</tbody>
</table>

**Instruments**

Information on the variables under study was collected by means of a larger questionnaire which was administered by interviewers. The linguistic equivalence of the instruments has been ascertained by means of cross-translation during the preceding construction phase. The same is true for the psychometric properties of the scaled variables.

**Firm-ownership** was measured by asking respondents to describe the ownership of their firm, using the following categories: (1) state owned; (2) private; (3) joint venture; (4) foreign owned; (5) cooperative. The response categories 2 through 5 were taken as indicators of 'private' ownership. The first response category was seen as indicator of 'state' ownership. This category comprises both state-owned firms and state services.

Work motivation was measured by means of two scales, i.e. job involvement and organizational commitment. The scale for *job involvement* comprises 6 items. It is based on Ten Horn (1989) and Lodahl and Kejner (1965). The coefficients alpha for the total samples are .67 in Bulgaria, and .60 in Hungary. The scale for *organizational commitment* comprises 6 items. It is partly based on Buchanan (1974), Cook and Wall (1980), and Porter and Smith (1970). The coefficients alpha for the total samples are .77 and .76 respectively.
Our measure for responsibility comprises 4 items, based on Hackman and Oldam (1975) taking into account the study by Idaszak and Drasgow (1987); the alpha for Bulgaria is .58, and for Hungary .50. Meaningfulness of the work was measured by a 4 item-scale, constructed for the present study, with a coefficient alpha for Bulgaria .73, and for Hungary .69.

For job satisfaction a scale of 6 items was used, based on Ten Horn (1989), it also contains 'faces'-scales (see Kunin, 1955; Dunham & Herman, 1975). The study in Bulgaria yielded a coefficient alpha of .78; for Hungary it is .81. Expenditure of effort was measured by means of a 6-item scale, constructed for the present study. The alphas are .71 for Bulgaria and .57 for Hungary.

A detailed description of the instruments is given in Appendix I. For more information on psychometric properties we refer to Roe et al. (1997). The raw scores on all scales are transformed to a 10-point scale, in order to facilitate comparisons.

Analysis

We analyzed the data by means of t-tests and analysis of variance. In testing the first hypothesis we performed a (one-sided) t-test for independent samples, comparing the employees who worked in state firms and private firms. The significance level was set at alpha = .05. We considered the samples of 1994 and 1995 as replications, which gives us two sets of observations to test the hypothesis.

The second and third hypotheses were tested by means of analysis of variance. The data of subjects who changed their workplace (either the firm or the job) were excluded from this analysis. We determine the effects of the factors 'Time' and 'Ownership', as well as their interaction. Time stands for the changes between May 1994 and November 1995. It is treated as a within-subjects factor. Ownership is a between-subjects factor with three levels, i.e. State, Private, and Privatization. Wherever significant effects for Ownership or

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2 The authors acknowledge the advice of dr. Jan Scheirs concerning the method of analysis reported here.
for the interaction between Time and Ownership are observed, we look for the contrasts between the levels of the Ownership factor. The contrasts are State v. Private and Privatization v. State and Private.

The first contrast (State v. Private) in the analysis of the main effect of Ownership gives us an additional opportunity to check the validity of the first hypothesis. It should be kept in mind that we are using the more limited data set of the respondents who did not change the workplace, rather than the observations on all respondents in state and private firms.

5. Results

The results of our analyses are presented below. Table 2 gives the mean scores for respondents in state and private firms as well as the significance levels of the t-tests. It appears that job involvement and organizational commitment do not differ as predicted. In two of the cases studied, i.e. Bulgaria 1994 and Hungary 1995, involvement is actually lower in the private firms. These differences are significant when tested by means of a two-sided t-test (p=.08 and p=.02). The other comparisons show that no motivational differences exist.
Table 2. Differences between Mean Scores of Employees in State and Private Firms in Bulgaria and Hungary, 1994 and 1995; ° = significantly greater variance (.05-level)

<table>
<thead>
<tr>
<th>1994</th>
<th>BULGARIA</th>
<th>HUNGARY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>N=811</td>
<td>N=213</td>
</tr>
<tr>
<td>Responsibility</td>
<td>7.98</td>
<td>7.61°</td>
</tr>
<tr>
<td>Meaningfulness</td>
<td>7.65</td>
<td>7.17</td>
</tr>
<tr>
<td>Job involvement</td>
<td>7.96</td>
<td>7.70°</td>
</tr>
<tr>
<td>Org. Commitment</td>
<td>7.47</td>
<td>7.33</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>6.67</td>
<td>7.05</td>
</tr>
<tr>
<td>Expend. of Effort</td>
<td>8.10</td>
<td>7.83°</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1995</th>
<th>BULGARIA</th>
<th>HUNGARY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>N=745</td>
<td>N=232</td>
</tr>
<tr>
<td>Responsibility</td>
<td>8.26</td>
<td>8.42</td>
</tr>
<tr>
<td>Meaningfulness</td>
<td>7.77</td>
<td>7.48°</td>
</tr>
<tr>
<td>Job involvement</td>
<td>8.20</td>
<td>8.13°</td>
</tr>
<tr>
<td>Org. Commitment</td>
<td>7.58</td>
<td>7.55</td>
</tr>
<tr>
<td>Expend. of Effort</td>
<td>8.27</td>
<td>8.27</td>
</tr>
</tbody>
</table>

With respect to the other variables we do find some differences in the predicted direction. Of the 16 cases studied 4 are in accordance with the hypothesis, while 12 are not. In Bulgaria satisfaction is higher in the private firms than in the state firms. This holds for
1994 as well as for 1995. In Hungary we find employees in the private firms to obtain higher scores on expenditure of effort in 1994 and on responsibility in 1995. The Bulgarian samples show several findings which contradict our hypothesis. In the 1994 sample we find the employees of private firms to score lower rather than higher on responsibility, meaningfulness, and effort expenditure. Most of these differences have disappeared by 1995, but the one for meaningfulness remains.

Thus, it appears that, in the cases studied by us, employees in private firms cannot be considered to be better motivated than employees in state firms. There are rather indications of the opposite. Since there is some indication that the situation changes over time, we will take a closer look at the differences between state and private firms when presenting the results of the analysis of variance.

The results for the tests of the second and the third hypotheses are presented in Tables 3 and 4 for Bulgaria and Hungary respectively. Both tables provide the means scores of three categories of respondents, i.e. those who continued to work in state firms, those who continued to work in private firms, and those who worked in firms which were privatized. The tables also give the results of the analysis of variance and relevant contrasts. Since the analysis is restricted to employees who did not change their work place, the samples sizes do not add up to that of the total sample.
Table 3 Differences between Mean Scores of Employees in State, Private and Privatized Firms in Bulgaria, 1994 - 1995

<table>
<thead>
<tr>
<th>BULGARIA (10-p scale)</th>
<th>Means</th>
<th>Effects</th>
<th>Contrasts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conditions</td>
<td>Factors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>State N=622</td>
<td>Private N=105</td>
<td>Privatization N=16</td>
</tr>
<tr>
<td>Responsibility 1</td>
<td>8.06</td>
<td>7.91</td>
<td>7.81</td>
</tr>
<tr>
<td>2</td>
<td>8.32</td>
<td>8.51</td>
<td>8.75</td>
</tr>
<tr>
<td>Meaningfulness1</td>
<td>7.82</td>
<td>7.55</td>
<td>7.94</td>
</tr>
<tr>
<td>2</td>
<td>7.81</td>
<td>7.83</td>
<td>7.69</td>
</tr>
<tr>
<td>Involvement 1</td>
<td>8.07</td>
<td>8.07</td>
<td>7.69</td>
</tr>
<tr>
<td>2</td>
<td>8.25</td>
<td>8.53</td>
<td>8.06</td>
</tr>
<tr>
<td>Commitment 1</td>
<td>7.67</td>
<td>7.76</td>
<td>7.56</td>
</tr>
<tr>
<td>2</td>
<td>7.60</td>
<td>8.01</td>
<td>7.69</td>
</tr>
<tr>
<td>Satisfaction 1</td>
<td>6.80</td>
<td>7.43</td>
<td>7.31</td>
</tr>
<tr>
<td>2</td>
<td>6.60</td>
<td>7.11</td>
<td>7.69</td>
</tr>
<tr>
<td>Effort 1</td>
<td>8.21</td>
<td>8.14</td>
<td>8.38</td>
</tr>
<tr>
<td>2</td>
<td>8.34</td>
<td>8.45</td>
<td>8.06</td>
</tr>
</tbody>
</table>
Table 4  Differences between Mean Scores of Employees in State, Private and Privatized Firms in Hungary, 1994 - 1995

<table>
<thead>
<tr>
<th></th>
<th>Means</th>
<th>Factors</th>
<th>Contrasts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conditions</td>
<td>Ownership</td>
<td>Time x Ownership</td>
</tr>
<tr>
<td></td>
<td>State N=295</td>
<td>Private N=54</td>
<td>Privatization N=48</td>
</tr>
<tr>
<td>Responsibility</td>
<td>7.29</td>
<td>7.17</td>
<td>7.54</td>
</tr>
<tr>
<td>Meaningfulness</td>
<td>7.05</td>
<td>7.26</td>
<td>7.50</td>
</tr>
<tr>
<td>Involvement</td>
<td>7.63</td>
<td>7.35</td>
<td>7.58</td>
</tr>
<tr>
<td>Commitment</td>
<td>7.18</td>
<td>7.24</td>
<td>7.85</td>
</tr>
<tr>
<td></td>
<td>7.41</td>
<td>7.46</td>
<td>7.38</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>7.05</td>
<td>7.30</td>
<td>7.29</td>
</tr>
<tr>
<td></td>
<td>7.18</td>
<td>7.65</td>
<td>7.12</td>
</tr>
<tr>
<td>Effort</td>
<td>5.83</td>
<td>6.43</td>
<td>6.56</td>
</tr>
<tr>
<td></td>
<td>6.17</td>
<td>6.52</td>
<td>5.98</td>
</tr>
</tbody>
</table>

Looking at the results for the (within-subjects) factor Time, we can note that there is only partial support for the second hypothesis, which states that work motivation increases as the transition proceeds. In Bulgaria we do find significant increase in job involvement but not in commitment. In Hungary we do not find any change over time. As for the other variables the results are similar. In Bulgaria we note an increase in responsibility, but no effect in any other variable. The Hungarian sample shows no changes whatsoever. Thus, there is little evidence of an overall effect of the transition process on work motivation and related variables.

The effects for the factor Ownership enable us to conduct an additional test of our first hypothesis as well as a test of the third hypothesis. A main effect of Ownership indicates that there are differences in the dependent variables between the three levels of this factor. A subsequent test of the contrast State v. Private tells us whether there is a difference between employees in state and private firms in the overall level of motivation, irrespec-
tive of time. The contrast Privatization v. State & Private shows whether there is a difference between the respondents in the privatized firms compared to the firms with stable ownership with respect to the overall level of motivation, irrespective of time. Thus, the former contrast pertains to hypothesis 1 and the latter contrast to hypothesis 3.

Table 3 reveals that there are no effects of Ownership on job involvement and organizational commitment among the Bulgarian respondents. As for the other dependent variables there are no effects either, with the exception of satisfaction. For this variable we do find an overall difference between the respondents in the state and the private firms, the latter being more satisfied. This is in agreement with the results from the univariate tests described earlier.

It appears from Table 4 that there are two main effects of Ownership in the Hungarian sample, i.e. on involvement and expenditure of effort. When looking at the contrasts we can note that these effects are based on the difference between employees in the state and the private firms. The employees in the state firms show a somewhat higher involvement than those in the private firms. The contrast is not significant, however. For effort expenditure we find the opposite. Here, the employees in the private firms achieve higher average scores.

A test of hypothesis 3 also requires us to study the interaction Time x Ownership. When a significant effect is found we can subsequently test the contrasts State v. Private and Privatization v. State & Private. In this case the contrasts refer to the change in the dependent variable, that is the difference between the first and the second measurement rather than the average.

Table 3 shows that there are no significant interactions between Time and Ownership in the Bulgarian sample. This may be due to the small number of respondents in the category Privatization. The results in Table 4 show that there are no significant interactions for the motivational variables and for satisfaction in the Hungarian sample either, but there are interactions effects for the other variables. An analysis of the contrasts reveals an adverse
effect of privatization, opposite to that expected on the basis of our third hypothesis. That is, the subjects in privatized firms show a decrease in responsibility and meaningfulness, as well as in effort expenditure. For responsibility there is also a significant State v. Private contrast, which shows that the change for employees in the private firms is larger (and positive) than for those in the state firms.

6. Discussion

It appears from the previous section that the relationship between firm ownership and employee motivation is not as straightforward as one might expect or hope. First of all, we noted that employees in private firms are not better motivated than those in state firms. As for the other variables we do not find the expected effects either, although there are some exceptions, such as the greater satisfaction among the Bulgarian employees of private firms. Taking it all together, we cannot consider hypothesis 1 to be supported by our data.

In order to better understand why private firms do not behave as we had expected we have performed an additional analysis using other data from our original study, contrasting respondents in state and private firms by means of discriminant analysis. According to this analysis the major differences between the private firms and the state firms are in their labour relations and in the general terms of employment. There are only few differences with regard to work content and working conditions. Most conspicuous is the much weaker role of the labour unions in the private firms. It suggests that working people in private firms are more directly exposed to demands of employers without the buffering role which the unions played in former times. In Bulgaria the private firms are reported to in a better economic condition, but this does not hold for Hungary where private and state firms are economically in a comparable position. On the whole private firms offer a somewhat higher pay, which reduces workers’ poverty and leads to greater optimism. Job security tends to be higher in the private firms as well, but varies with the general economic situation. These findings partially resemble those by authors who studied Polish state and private firms. Belka (1995) found state firms to experience grater economic distress,
and private firms to follow a "hire-not-fire" policy and to give less influence to employees. Havlovic and Moore (1997) found a higher level of industrial democracy in state firms.

As for work content and working conditions the Bulgarian private firms seem to offer a somewhat better work climate and better physical conditions than state firms. Standardization of work activities is lower. In Hungary one finds another pattern. Here people report greater autonomy and more task identity in their work, especially as time proceeds. Social contacts at work, both informal contacts and contacts about the content of the work, seem to be less than in the state firms. By 1995 workers in the Hungarian private sector also report greater stress and a greater tendency to leave the firm and look for another job. This may have to do with the lesser job involvement noted before. A general difference that holds in both countries is that workers in private firms have more often been unemployed before finding their present job and fulfil this job for a shorter period.

When analyzing our data concerning the first hypothesis we came across an interesting observation. That is, we found that employees in private firms often display greater variance than employees in state firms. As we have indicated in Table 2, this applies to responsibility (Bulgaria 1994, Hungary 1995), involvement (Bulgaria 1994, Bulgaria 1995, Hungary 1995), satisfaction (Hungary 1995), and effort (Bulgaria 1994, Bulgaria 1995, Hungary 1995). Thus it seems, that in terms of their capacity to motivate employees private firms may not be more powerful than state firms, but rather more diverse.

Hypothesis 2 has received partial support from our data. There is some evidence of a motivation enhancing effect of the overall transition process. That is to say, we found an effect on job involvement and on responsibility in Bulgaria, but no effect in Hungary. Perhaps this reflects the fact that in Bulgaria the period studied was one of relative advance after a long period of stagnation, in which many people saw some improvement in their income and developed some optimism for the future (Genov, 1996). Hungary meanwhile experienced a phase of transition characterized by austerity and the pains of structural reform (Héthy, 1995).
Since for the present analysis we could only rely on the data from people who stayed in the same workplace during the 18 months of our study, the overall effects of the transition process may have been underestimated. It might be that those who changed their job did reveal a greater change, or that the effects turn out to be more impressive when considered over a longer period. A comparison of the mean scores on the six variables as measured in 1995, does not reveal great differences among the subjects who did change their jobs. Longer term changes could not be investigated within the scope of the present study.

Our study has not provided any support for hypothesis 3. There is no evidence that privatization leads to better motivation, or to higher mean scores on related variables. The lack of supportive evidence from the Bulgarian sample may be due to the fact that the number of respondents from privatized firms was very low indeed, which has reduced the power of our analysis. The Hungarian sample is more adequate in this respect, but does not support our expectations either. There is no effect on the motivational variables, while privatization seems to have an adverse impact on responsibility, meaningfulness and effort expenditure. That is, people in privatized firms report their work to give them less responsibility, to be less meaningful, and to make them spend less effort, than people in firms with stable ownership.

The main question to be answered is how to explain our finding that privatization does not have the positive impacts on motivation and work attitudes that are generally expected. In our view there are at least four different types of explanation to consider.

First, privatization goes along with organizational changes which modify individuals' roles and tasks, interpersonal relations, and rewards. People may respond to the disturbances and uncertainties brought by the process of change, rather than to specific outcomes (Nelson, Cooper & Jackson, 1995). Polish researchers have noted that while privatization evokes positive attitudes, based on hope for improvement (Balawajder & Popiolek, 1993), it also brings uncertainties and threatens peoples' former positions and privileges (Ratajczak, 1995). We had no opportunity to test this assumption directly but, as we will describe below, our data enabled us to investigate it in an indirect way.
When analyzing our data, we discovered to our surprise, that a considerable number of respondents had undergone a reverse change of ownership, i.e. from private to state. We decided to study this 'de-privatization' and to look for its effects on our six dependent variables, following the procedure as described above. The results of this additional analysis are presented in Tables 5 and 6 for Bulgaria and Hungary respectively. The means in the tables are the same as those in Tables 3 and 4, except for the column Privatization, which has been replaced by De-Privatization. Interestingly enough, there is a great difference between the results of this analysis and the one on privatization. In Bulgaria (Table 5) we find significant effects of the factor Time for all variables, which expresses that the changes among those in de-privatized firms are in the same direction as among those who continued to work in state and private firms. In addition, there is a significant effect of Ownership on involvement and commitment, as well as on responsibility and satisfaction. Satisfaction is higher in private firms, as was found before. Moreover, the people in the de-privatized firms score lower on involvement and commitment, as well as on responsibility. There are two significant interaction effects of Time and Ownership, but they do not involve an important contrast of the respondents in the de-privatized firms.
Table 5 Differences between Mean Scores of Employees in State, Private and De-privatized Firms in Bulgaria, 1994 - 1995

<table>
<thead>
<tr>
<th>BULGARIA (10-p.scale)</th>
<th>Means</th>
<th>Effects</th>
<th>Contrasts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conditions</td>
<td>Factors</td>
<td>Ownership</td>
</tr>
<tr>
<td></td>
<td>State N=620</td>
<td>Private N=105</td>
<td>De-Privatization N=16</td>
</tr>
<tr>
<td>Responsibility 1</td>
<td>8.06</td>
<td>7.91</td>
<td>6.89</td>
</tr>
<tr>
<td>2</td>
<td>8.32</td>
<td>8.51</td>
<td>7.94</td>
</tr>
<tr>
<td>Meaningfulness 1</td>
<td>7.82</td>
<td>7.55</td>
<td>6.94</td>
</tr>
<tr>
<td>Involvement 1</td>
<td>8.07</td>
<td>8.07</td>
<td>7.19</td>
</tr>
<tr>
<td>2</td>
<td>8.25</td>
<td>8.53</td>
<td>7.69</td>
</tr>
<tr>
<td>Commitment 1</td>
<td>7.67</td>
<td>7.76</td>
<td>6.62</td>
</tr>
<tr>
<td>2</td>
<td>7.60</td>
<td>8.01</td>
<td>7.56</td>
</tr>
<tr>
<td>Satisfaction 1</td>
<td>6.80</td>
<td>7.43</td>
<td>7.19</td>
</tr>
<tr>
<td>2</td>
<td>6.60</td>
<td>7.11</td>
<td>6.69</td>
</tr>
<tr>
<td>Effort 1</td>
<td>8.21</td>
<td>8.14</td>
<td>7.50</td>
</tr>
<tr>
<td>2</td>
<td>8.34</td>
<td>8.45</td>
<td>8.25</td>
</tr>
</tbody>
</table>
### Table 6

**Differences between Mean Scores of Employees in State, Private and De-privatized Firms in Hungary, 1994 - 1995**

<table>
<thead>
<tr>
<th></th>
<th>Means</th>
<th>Effects</th>
<th>Contrasts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conditions</td>
<td>Factors</td>
<td>Ownership</td>
</tr>
<tr>
<td></td>
<td>State N=295</td>
<td>Private N=54</td>
<td>De-privatization N=76</td>
</tr>
<tr>
<td>Responsibility 1</td>
<td>7.29</td>
<td>7.17</td>
<td>7.17</td>
</tr>
<tr>
<td>Responsibility 2</td>
<td>7.13</td>
<td>7.63</td>
<td>6.97</td>
</tr>
<tr>
<td>Meaningfulness 1</td>
<td>7.05</td>
<td>7.26</td>
<td>7.22</td>
</tr>
<tr>
<td>Meaningfulness 2</td>
<td>7.39</td>
<td>7.37</td>
<td>7.10</td>
</tr>
<tr>
<td>Involvement 1</td>
<td>7.63</td>
<td>7.35</td>
<td>7.55</td>
</tr>
<tr>
<td>Involvement 2</td>
<td>7.59</td>
<td>7.39</td>
<td>7.54</td>
</tr>
<tr>
<td>Commitment 1</td>
<td>7.18</td>
<td>7.24</td>
<td>7.14</td>
</tr>
<tr>
<td>Commitment 2</td>
<td>7.18</td>
<td>7.46</td>
<td>6.84</td>
</tr>
<tr>
<td>Satisfaction 1</td>
<td>7.05</td>
<td>7.30</td>
<td>6.60</td>
</tr>
<tr>
<td>Effort 1</td>
<td>5.83</td>
<td>6.43</td>
<td>6.16</td>
</tr>
<tr>
<td>Effort 2</td>
<td>6.17</td>
<td>6.52</td>
<td>5.93</td>
</tr>
</tbody>
</table>

In Hungary (Table 6) we find a different picture. There are no effects of the factor Time, apart from a general increase in satisfaction. This effect was not found before, because the privatized workers, unlike the other workers, did not become more satisfied. The effects of the factor Ownership are restricted to satisfaction and effort, which is mainly due to a State v. Private contrast. The only interaction Time x Ownership is found for effort expenditure. Here we find a decrease under de-privatization rather than an increase as observed in the other conditions.

To answer the question whether our findings on privatization may be explained from the change process per se, we should look for similar effects of privatization and de-privatization, since both imply change at the individual level. We note that in terms of their effects privatization and de-privatization are somewhat similar indeed. Employees in firms undergoing these changes show lower responsibility, commitment and effort expenditure. But there are a tendency to augment in Bulgaria and to diminish in Hungary.
effects are weak, though, and can mainly be attributed to the general effects of transition. In Hungary the effect on effort expenditure is statistically significant in both cases.

Our second explanation points at the influence of the overall transition process on people. While the change towards private ownership may in itself bring positive changes, the effects can be swamped by the impact of the wider economic and social changes taking place in society. The hardship experienced by workers and their families in everyday life may reduce the importance of what happens at the work place. Here one should think of the effects of price rises, the introduction of new taxes, the delayed payment of salaries, the curtailment of social services, the high level of criminality, and so on (e.g. Genov, 1996). People may also become disappointed when the transition does not bring the expected improvements, and hence lose their interest in work as such. Our results do not show much support for this interpretation. Only few of the changes observed can be attributed to the overall transition process, and the direction of the changes is positive rather than negative. Besides, the value of work relative to other life domains does not change. We should also note that it is not likely that the transition as such would affect such factors as the meaningfulness and responsibility at work.

The third explanation is that people's responses to privatization depend on the form of privatization and the way in which it is carried out. The change towards private ownership does not automatically change the way in which organizations are structured and operated. What happens depends on who become the new owners and on their interests. Frydman and Rapaczynski (1994) point at the difference between outside owners and inside owners. While outside owners can subject the management to independent control and insist on change, inside owners are likely to protect vested interests. For this reason privatization by management buy-out cannot be expected to lead to immediate changes. Speculative take-overs may result in a deterioration rather than an improvement of the firm. What also makes a difference is how the privatized firm relates to other institutions in the economic environment. As has been noted by Frydman and Rapaczynski (1994) privatization does not necessarily mean a lesser state control. When the new owners are members of the dominant political elite, the intervention by the state may continue to be strong. Banks,
either state or private, may exert an important influence on the firm as well (Smith & Walter, 1992). Chavance & Magnin (1996) point out that in Eastern Europe new and complex ownership relations have developed as members of the new political elites used their position for preferential acquisitions of former state property.

From the position of the employee the new ownership relations make little difference. When old management practices are continued, which often seems the case, one may not expect changes in workers attitudes, motivation and performance. In some cases the interests of the new owners may even lead to a decrease in workers’ motivation and effort. For instance, when the new owner’s source of capital is not transparent enough or is suspected to be of criminal origin, the workers may not be readily committed to the goals of the organization. Also, the mere fact that the owner’s business biography is quite short and his former status is quite fresh in people’s minds could make them work less hard for him.

At this point we would like to emphasize the complexities of the overall transition process of which privatization is part. The process is one of steps forward and backward, made by various actors with opposing interests. It is a mixture of reform, stagnation, restoration, and decline (Roe, 1994). There have been clear signs of resistance to change among members of former elites in earlier years. Managers of state enterprises have effectively opposed to privatization, or engaged in pseudo-privatization (Oechslin, 1991). Nagy (1993) points at the role of institutional rigidity and resilience. Resistance to competition and increase of efficiency, and opposition to diminishing state influence may effectively nullify the potential effects of privatization. The result of all the interacting forces may be a mixture of inconsistent and conflicting structures, the operation of which is difficult to predict (Moore & Havlovic, 1995; Roe, 1994).

When speaking about the actual form and context of privatization one should finally take into account that privatization takes different forms and that privatization policies differ across countries (Belka, 1995; Nishimura, 1995; Kotrba & Svejnar, 1994). There are wide differences between privatization of state enterprises in Western countries and those in
former Communist countries of Eastern Europe. Similarly, there are differences among the countries of Central and Eastern Europe themselves. Not only have the schemes and actors of privatization been different, there are also historical, social and political background factors to consider (Shen, 1993).

The fourth explanation we would like to bring forward is that people's work motivation does not exclusively depend on the current situation. Motivation may to some degree reflect former working conditions, and be based on patterns of behavior learned in the past. Our research on work motivation in Bulgaria and Hungary has shown that workers in these countries are not very sensitive to the actual working conditions to which they are exposed. We have noted a tendency among workers to work for their own interests rather than those of the firm. This 'egocentrism at work' (Zinovieva et al., 1993) can be considered to be a remainder from a period in which employment and pay were guaranteed regardless of performance, and in which work was organized on the basis of political hierarchy and bureaucratic plans. It was a way for people to make sense out of their working life, which seems persist during the times of transition.

The evidence presented in this study suggests that we may have to revise our ideas about the differences between state and private ownership and the effects of privatization. State or private ownership as such may not have much impact on managerial practices and employee behavior (Estrin, Schaffer & Singh, 1995). Privatization may not lead to other forms of firm governance or change peoples' expectations and behaviors - at least not immediately. Rather than to conclude that firm ownership is of no consequence for the functioning of firms, we are inclined to emphasize the necessity to consider a range of other factors and to study their effects. Here we think of the way in which organizations are structured and the design of jobs, management-employee relationships, and personnel management policies. We believe that private ownership can result in higher motivation and better performance if organizations are structured in less mechanistic ways, if employees are given more meaningful and responsible jobs, and if authoritarian management practices are abandoned and replaced by democratic methods, including employee involvement. Furthermore, personnel management policies should aim for the optimization
of performance, competence and employee well-being. The introduction of performance management systems built upon the assignment of clear goals and responsibilities, feedback on performance, and incentives may be the core of such policies, but the other elements would certainly be important as well. We expect research on these organization and management factors not only to improve our understanding of how privatization affects employees, but also to help in enhancing motivation and removing existing barriers to individual and organizational performance, thereby contributing to more successful transition in the future.

7. Conclusions

Within the general constraints posed by the particular scope of our study - we deal with particular episodes in the transition process in Bulgaria and Hungary - we can provide a provisional answer to the questions concerning firm ownership and employee motivation presented at the outset.

First, work motivation among employees in private firms is not higher than in state firms. Job involvement is either lower or equal, organizational commitment does not differ. Employees of private firms have scores equal to or lower than those in state firms on several variables related to motivation. The only exception is job satisfaction, which is higher among the Bulgarian workers in the private sector.

Second, the overall changes during the 18-month period of transition show no changes in work motivation or related variables in Hungary, but there is an increase of job involvement and felt responsibility in Bulgaria.

Third, privatization does not lead to an increase of work motivation, nor to a positive change in related variables. To the degree that there are significant effects, which is only the case for the Hungarian sample, they point in the opposite direction. Employees in privatized firms report lesser responsibility and meaningfulness in their work, as well as a
lower expenditure of effort. Thus privatization seems to have an adverse effect in employees.

A closer look has shown that state and private firms differ with regard to terms of employment and labour relations, but also that work content and working conditions are very similar. A conspicuous difference is the relative absence of labour unions in the private firms. The differences with regard to the firm's economic health, salary level, and job security, fluctuate with the general economic developments.

Employees in firms undergoing a reverse change of ownership - from private to state - show different responses in Bulgaria and Hungary. The Bulgarian workers in these firms show lower scores for job involvement and organizational commitment as well as for responsibility, but there is a tendency towards increase. The Hungarian workers in this category manifest less satisfaction and effort, and a decline in effort. Thus, the firm's return to state ownership seems to have divergent effects.

From the viewpoint of employee motivation it is not preferable to work in a private firm, nor to be employed by a privatized firm - at least not in the short run. People seem to respond to the wider social and economic context, and continue to show behavioral patterns learned in the past, but are not so much affected by the change towards private ownership. The fact that privatization does not change motivation, can partly be explained from the peculiarities of the privatization process and the lack of change at the level of the organization and its management. In order to stimulate workers' motivation and performance, and to contribute to the transition process, privatization will have to be supplemented by a range of other measures, relating to organizational structuring and job design, management-employee relationships, and HRM-policies.
References


APPENDIX I

The following description of the items is based on Extended Delft Measurement Kit for Quality of Work Life (EDMK) (See Roe et al., 1997).

Job involvement (5-point scales)
- For me hours at work really fly by.
- I feel depressed when I fail in something connected with my job.
- I am deeply involved personally in my job.
- In this job I am concerned whether the work is done well or not.
- I would stay overtime to finish a task even if I am not paid for this.
- I don't care much about what happens in my job.

Organizational commitment (5-point scales)
- I feel a sense of pride in working for this organization.
- In my work I like to achieve something for the organization, not just for myself.
- The offer of a bit more money with another employer would seriously make me think of changing my job.
- I really care about the fate of this organization.
- I don't really feel a part of this organization.
- I am very upset if I notice that our organization has a bad name elsewhere.

Meaningfulness of the work (5-point scales)
- My work gives me the feeling of contributing to something useful for many people.
- I do not find anything worthwhile in my work.
- Doing my every day work duties I get the feeling my life is meaningful.
- The sense of my life is connected to the work.
Responsibility (5-point scale)

- I feel a very high degree of personal responsibility for the work I do on this job.
- Whether or not this job gets done right is clearly my responsibility.
- Most people of this job feel a great deal of personal responsibility for the work they do.
- Most people on this job feel that whether or not the job gets done right is clearly their own responsibility.

Job satisfaction (5-point scales)

- What would your present job look like compared to the job you would like to have (if you had the choice)?
  very bad - bad - indifferent - good - very good
- If you had to choose again between taking your present job or not, what would you do?
  I would certainly take the job again
  I would probably take the job again
  I would not be too sure
  I would probably not take the job
  I would certainly not take the job again
- You see a number of faces here. Put a cross below the face that expresses best what you feel like, when you go to work in the morning.
  'faces'-scale (female faces from 1 = smiling to 5 = sad)
- Put a cross below the face that expresses best what you think all in all about your job.
  'faces'-scale (male faces from 1 = smiling to 5 = sad)
- I am not satisfied with the job I have.
  Completely right
  Mainly right
  Partly right, partly wrong
  Mainly wrong
  Completely wrong
FIRM OWNERSHIP AND WORK MOTIVATION - 31

• Would you recommend your job to a good friend?
  Yes, certainly
  Probably
  I hesitate
  Probably not
  Absolutely not

Expenditure of effort (5-point scales)
• I usually put a lot of effort in my work.
• My job is very demanding.
• In doing the work I employ my capacities to the full.
• I see no need to strive for the maximum results in my work.
• The largest part of my energy is spent on my work.
• I do my utmost to excel.