THE EFFECTS OF PRIVATIZATION OF THE TOBACCO COMPANY IN THE OPINION OF EMPLOYEES

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Abstract. The change of an enterprise owner often takes place along with privatization, during which the harmony existing in the company is strongly disturbed, and the on-going changes affect the working conditions, sense of security and the relationships between employees. The aim of the research was to examine opinions of employees about changes introduced in the company after takeover by a foreign investor. The diagnostic survey method was used on a poll of 100 employees. In the research sample, the structure of employment by job positions was deliberately taken into account. The results of the survey indicate that the majority of the respondents stated that the impact of foreign capital on the Polish economy (64 %) and on company itself was positive (70 %). For the respondents, foreign capital was associated positively with enterprise development, improvement of the economic condition of the enterprise, creation of new jobs, reduction of unemployment, implementation of new technologies, rather than negatively with such issues as: corruption, dismissal of employees and liquidation of enterprises. The results indicate that, the processes of implementing changes in enterprises are an inherent element of management. In case of change of the investor, the managers should ensure proper communication of the change to the stakeholders in order to minimize the employees' anxiety due to changes related to possible dismissal from work, liquidation of the enterprise or deterioration of remuneration conditions, and, consequently, their own subjectively assessed financial situation.

Key words: privatization, investor, tobacco company, employers.

JEL code: L2, L6

Introduction

In 2014, 7.5 million tons of tobacco were produced in the world and 213.4 thousand tons in the European Union. The largest tobacco manufacturers in the world are China, India, Brazil and the USA. Over this period, Poland produced 34.9 thousand tons of tobacco and now occupies 22nd place in the world (PAP, 2017). Tobacco industry plays a significant role in the Polish economy, mainly due to the generated budget revenues and employment because in 2016, the revenues from production and consumption of the tobacco products amounted to PLN 24.4 billion, of which the largest part was excise tax – PLN 18.5 billion and VAT – PLN 5.5 billion (80 % of the price of cigarettes are taxes), and, in broad terms, the industry generates employment for 560 thousand employees, including 50 thousand people in tobacco production, 10 thousand in production of the tobacco products and about half a million people in sales. Tobacco products are sold in about 120 thousand retail outlets, and in most small kiosks and shops, their sales account for 40 % of the overall turnover in points of sale (PAP, 2018).

There are 6 powerful international tobacco companies and 40 smaller companies in the world, but tobacco production is dispersed, as tobacco is grown in 124 countries. In this state of affairs, Poland has become a place where foreign investments in the tobacco industry are highly concentrated, as in Poland there are 6 out of 31 factories of tobacco products operating in Europe. The manufacturers mainly produce cigarettes, but also they offer smoking tobacco as well as cigars and cigarillos. The production (processing) of tobacco products in Poland is dominated by foreign investors who have taken over tobacco plants as a result of privatization processes. Tobacco plants in Poland produce tobacco in six locations, namely in Krakow (Philip Morris Polska), in Augustow

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(British American Tobacco), in Gostkow (Japan Tobacco International), in Lublin (Zakłady Tytoniowe Lublin) and in Radom and Tarnow Podgorne (Imperial Tobacco Group).

The change of an enterprise owner often takes place along with privatization, during which the harmony existing in the company is strongly disturbed, and the on-going changes affect the working conditions, sense of security and the relationships between employees. In the analyses of the privatization processes in state-owned enterprises, the sociologists have emphasized the increased number of negative opinions about the on-going changes among the employees. The dissatisfaction was most often the result of non-compliance with previous promises to improve work organization and management or to significantly increase the salaries. Privatization of enterprises leads to changes in the State's economy and in the enterprises themselves, having impact also on employment in the privatized companies. Managing the enterprise after changes in the ownership structure requires knowledge of the impact of such changes on the employee attitudes. Opinions of people about the course and effects of privatization often suggest the need to undertake various activities associated with development of an enterprise organization by a new, domestic or foreign owner (Krynicka, 1992).

The aim and method of the research

The aim of the research was to examine opinions of employees about changes introduced in the company after takeover by a the foreign investor. The study involved the survey method, the survey technique was a poll of 100 employees (of 500 employees) who participated in the survey carried out on March 9-13, 2015 in Imperial Tobacco Polska Manufacturing S.A. in Radom owned by the Imperial Brands Group; they represented all the departments of the company. In the research sample, the structure of employment by job positions was deliberately taken into account.

In the surveyed company, the largest group among respondents were people up to 38 years old (38 people), while 32 % (32 people) were employees aged from 39 to 43 years. Respondents aged 44 and older accounted for 30 % (30 people); 56 women (56 %) and 44 men (44 %) took part in the survey. Among the respondents, 64 % had secondary education, 20 % of employees had a university degree, and 16 % had a higher undergraduate degree. In terms of the position held, the largest group of the respondents were production workers (28 %). The other groups were: specialists – 14 %, department directors and laboratory assistants – 12 % each, coordinators – 10 %, machinery operators, controllers and mechanists – 8 % each. Among the surveyed, the employees living in the countryside accounted for 56 %, while 44 % of the respondents lived in the city. In terms of the level of remuneration, four groups were distinguished: the lowest remuneration of PLN 1001 to PLN 2000 was declared by 60 people, 18 people indicated the remuneration from PLN 2001 to PLN 3000, only 6 respondents gained the remuneration from PLN 3001 to PLN 5000, and the group that declared remuneration of more than PLN 5 000 accounted for 16 people. The majority of respondents (62 %) assessed their financial situation as good. In turn, 32 % of the respondents declared that their financial situation is bad. Only 6 % of the respondents assessed their financial situation as very good. In the survey, 26 % of the respondents declared a 14-year or shorter working period. The same number of employees had worked for the period from 15 to 19 years, 24 respondents had worked for the period from 20 to 24 years and the same number of the respondents had worked for the period of not less than 25 years. In terms of seniority at Imperial Tobacco Polska Manufacturing SA (work in the same

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enterprise), 30 employees had worked for the period of no more than 7 years, 20 people declared that they had worked for the period from 8 to 12 years, 26 respondents declared that they had worked for the period from 12 to 18 years and 24 respondents were people working for the period of not less than 19 years at the analysed company.

Research results – occupied position and opinions of the respondents

Any organizational, ownership and technological changes may lead to conflicts. Any change, including privatization or change of investor, causes strong emotional reactions and resistance. People are afraid of it. There are differences in the interests and views among the participants of the transition process. The changes undermine a balance that has developed in the enterprise. There is a situation of uncertainty: most people are afraid of financial losses, loss of position, privileges, the need to retrain or even losing their job (Kuc, 1999). The greatest concerns of employees are the reduction of earnings, the opinion about the lack of positives resulting from changes, the fear of additional duties or degradation [(kora, 1998). These behaviours arise, among other things, from the fact that employees often do not understand the need for change. Their resistance stems from ignorance, from the conviction that they will not cope with new duties or that they are not prepared mentally to perform new functions in the enterprise. The employers (new owners) should give reliable information to their employees, stating what changes will be introduced and what will be their effects, because usually every change in human life is associated with fear. The assessment of the role of foreign capital in the performance of the entire economy, region and enterprise in the opinion of the respondents of the surveyed enterprise is presented in Table 1.

Table 1

Opinions of the respondents regarding the privatization process with the participation of a foreign investor (N=100)

Type of opinion	The number of people indicating the answer		
	Highly favourable (positive) / rather favourable (positive)	Definitely unfavourable (negative) / rather unfavourable (negative)	Hard to say
Attitude of the respondent to foreign capital	62	33	6
Impact of investments with foreign capital in the privatization process of enterprises on the Polish economy	64	26	10
Influence of a change of the investor on the company	70	20	10
Privatization of a company for employees was	40	50	10
Influence of a change of investor on the situation of employees	50	44	6
Influence of a foreign capital on the economic situation of the city	64	14	22

Source: authors' research

The data summarized in Table 1 show that the majority of the respondents (64 %) indicated a favourable impact of investments with foreign capital in the privatization process of enterprises on the Polish economy, because only every fourth respondent assessed the impact of investment as rather unfavourable or definitely unfavourable. Similarly, it was noted that a larger percentage of the respondents assessed the change of investor to an entity with foreign capital as beneficial for the enterprise (70 %) and for the economic situation of the city of Radom (64 %). It was by a

dozen of percentage points less, as compared to the assessment of privatization and changes in the investor indicated by the respondents in relation to the situation of employees. This means that the respondents more often indicated a more favourable assessment in relation to the situation, which did not concern them directly; while considering their own situation as employees, contributed to a more cautious approach in their opinions (the proportion of highly favourable and favourable assessments did not exceed 50 %). Table 2 shows the dependence of the perception of foreign capital by the respondents on the occupied position.

The data summarized in Table 2 show that people who held higher positions, such as department directors, coordinators or controllers, more often expressed a positive attitude towards the acquisition of their enterprise by a company with foreign capital, and people who held lower positions, such as a drivers, mechanists, specialists or production workers, more often showed a negative attitude.

As regards the assessment of payrolls, the research showed that the highest number of the respondents assessed the remuneration conditions in the company as rather bad, while those employed in higher positions (department director, coordinator, controller) assessed remuneration conditions as definitely good or rather positive. The employees in lower positions, such as a specialist, mechanist, laboratory worker, driver and production worker, more often assessed the remuneration conditions as rather unfavourable or definitely unfavourable. There was, thus, the dependence between the occupied position and the assessment of remuneration conditions in the enterprise.

The conducted research showed that for the respondents, the enterprise with foreign capital was most associated with the development of the enterprise (62 % of the responses) and the improvement of the economic situation of the enterprise (42 %). Another most often mentioned positive aspects were the creation of new jobs (38 %), deployment of new technologies (32 %) and reduction of unemployment (32 %); but at the same time for 35 % of the respondents, the acquisition of the enterprise by a company with foreign capital was associated with redundancies and liquidation of enterprises. For 40 % of the respondents, one of the main associations with foreign capital was corruption, that is, they emphasized the negative aspect of the investor change processes. The research shows that employees employed in higher positions more often presented positive associations with foreign capital and, vice versa, people holding lower positions more often gave such responses as corruption, redundancies and liquidation of enterprises.

Table 3 shows the opinions of the respondents on participation in the company decision-making process, the relationships between employees after investor change and the relationships between employees and their superiors after investor change as a result of privatization depending on the occupied position. The vast majority of respondents (54 %) stated that they definitely had no influence on decisions made in the enterprise. The data contained in Table 3 show that a definitive lack of sense of influence was declared by those employed in lower positions, such as production workers and specialists. The sense of influence on the decisions made was noted in the group of people employed as department directors and coordinators. Therefore, a clear dependence between the position held in the company and the sense of influence on the decisions made in it was confirmed. The higher is the position, the greater is the sense of influence.

Table 2

**Workplace and relation to foreign capital, assessment of pay conditions
 in the enterprise after privatization and association with privatization
 with foreign capital**

Specification	Workplace																Total
	Department director		Laboratory assistants		Machinery operators		Coordinator		Controller		Specialist		Mechanist		Employee production		
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	
Respondents' attitude to foreign capital																	
Highly positive	10	83	-	-	-	-	2	20	-	-	-	-	-	-	-	-	12
Rather positive	2	17	6	50	6	75	8	80	6	75	6	43	4	50	12	42	50
Rather negative	-	-	4	33	2	25	-	-	-	-	8	57	2	25	12	43	28
Definitely negative	-	-	2	17	-	-	-	-	-	-	-	-	-	-	2	7	4
Hard to say	-	-	-	-	-	-	-	-	2	25	-	-	2	25	2	7	6
Assessment of pay conditions in an enterprise with foreign capital																	
Definitely good	6	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Rather good	6	50	2	17	4	50	10	100	4	50	2	14	-	-	4	15	32
Rather bad	-	-	6	50	4	50	-	-	4	50	10	71	8	100	14	50	46
Definitely bad	-	-	2	17	-	-	-	-	-	-	2	14	-	-	8	28	12
Hard to say	-	-	2	17	-	-	-	-	-	-	-	-	-	-	2	7	4
Associations of respondents in relation to the privatization with foreign capital																	
Company development	12	1	8	13	4	6	4	7	6	10	8	13	4	7	16	26	62
Improving the economic situation of the company	6	14	4	9	2	5	6	14	4	9	8	19	2	5	10	24	42
Creating new jobs	8	21	6	16	2	5	4	10	4	11	2	5	6	16	6	16	38
Reducing unemployment	12	37	4	12	-	-	-	-	6	19	-	-	4	13	6	19	32
Dismissals of employees	-	-	4	13	2	7	-	-	4	13	6	20	2	7	12	40	30
Liquidation of enterprises	-	-	4	20	2	10	-	-	-	-	2	10	4	20	8	40	20
Economic development	4	17	4	17	-	-	-	-	8	33	2	8	4	17	2	8	24
New technologies	8	25	4	12	2	6	2	6	6	19	6	19	-	-	4	12	32
Corruption	-	-	4	10	2	5	-	10	2	5	10	25	4	10	14	35	40
Total	12	100	12	100	8	100	10	100	8	100	14	100	8	100	28	100	100

Source: authors' research

According to the majority of the respondents, the relationships among employees in the company after the change of the investor did not change, according to 18 % of the respondents, these relationships had worsened, while 16 % of employees declared their improvement. According to machinery operators, controllers, specialists and mechanists (4 persons on each position) and 2 production workers, the relationships worsened, and in the opinion of 6 directors, 4 laboratory assistants, 2 coordinators, 2 specialists and 2 mechanists, the relationships improved. People in higher positions more often checked the responses showing improvement in these relationships or showing no change, which means that there was a dependence between the position held and the assessment of the relationships among the employees in the company after the change of the investor. Similarly, the relationships among employees and superiors after the change of the investor were assessed. According to the vast majority of the surveyed company employees, the relationships among employees and superiors after the change of the investor did not change (72 %), 14 % thought that these relationships improved and another 14 % thought that these relationships had worsened. People holding senior positions assessed changes as positive compared to those holding lower positions in the hierarchy. There was the dependence between the position held and the assessment of relationships among superiors and employees in the company after the change of the investor.

Table 3

Workplace and participation in decision making in the enterprise, relations among employees after investor change and relations among employees and superiors after investor change after privatization

Specification	Workplace																Total
	Department director		Laboratory assistants		Machinery operators		Coordinator		Controller		Specialist		Mechanist		Employee production		
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	
The feeling of influence of respondents on decisions made in the enterprise after privatization																	
Definitely yes	6	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Probably yes	4	33,3	-	-	-	-	4	40	-	-	-	-	-	-	-	-	8
Probably not	-	-	6	50	2	25	6	60	6	75	-	-	4	50	8	28,6	32
Definitely not	2	11,7	6	50	6	75	-	-	2	25	14	100	4	50	20	71,4	54
Evaluation of relations among employees after investor change																	
Improvement	6	50	4	40	-	-	2	20	-	-	2	14	2	25	-	-	16
Deterioration	-	-	-	-	4	50	-	-	4	50	4	29	4	50	2	7	18
No change	6	50	8	80	4	50	8	80	4	50	8	57	2	25	26	93	66
Evaluation of relations among employees and superiors after investor change																	
Improvement	6	50	2	17	-	-	-	-	2	25	-	-	2	25	2	7	14
Deterioration	-	-	-	-	6	75	-	-	-	-	2	14	4	50	2	7	14
No change	6	50	10	83	2	25	10	100	6	75	12	86	2	25	24	86	72
Total	12	100	12	100	8	100	10	100	8	100	14	100	8	100	28	100	100

Source: authors' research

The opinions of the respondents on remuneration, social conditions and employee participation in the decision-making process differed depending on the position and education. The research shows that only people with higher education had a definitely positive attitude towards foreign capital, but a rather positive attitude towards it was also declared by 53.1 % of respondents with secondary education. The most positive answers about job satisfaction were given by people with secondary education. In the survey, 10 people with university degrees were definitely satisfied. The conducted research shows the dependence between level of education and job satisfaction (Table 4). People with higher education were more satisfied with their work. However, the opinions of people with secondary education were divided almost half-and-half. The research shows that 64 % of the surveyed employees of the enterprise with foreign capital assessed the impact of such investments on the economic situation of the city of Radom as positive or definitely beneficial and 14 % assessed it as definitely or rather negative, with some respondents refusing to give their opinion on this subject (22 %). The study showed the dependence between level of education and the assessment of the impact of foreign capital on the economic situation of the city. People with higher education were more likely to evaluate this impact as very positive.

Table 4

Education and expectations related to the change of the investor in the enterprise and their fulfilment

Specification	Secondary education		Higher undergraduate education		Master's degree		Total
	n	%	n	%	n	%	
Post privatization job satisfaction among employees							
Definitely yes	-	-	2	12.5	10	50	12
Probably yes	28	43.8	10	62.5	4	20	42
Probably not	24	37,,5	4	25.0	-	-	28
Definitely not	6	9.4	-	-	-	-	6
Hard to say	6	9.4	-	-	6	30	12
Expectations of respondents in connection with the change of the investor in the enterprise							
A promotion opportunity	18	56,,3	4	12.5	10	31.3	32
Improvement of pay conditions	46	67.6	14	20,,6	8	11.8	68
Increasing qualifications	6	60.0	4	40.0	-	-	10
Limiting stress	14	70.0	4	20.0	2	10.0	20
Introduction of free Sundays	6	75.0	2	25.0	-	-	8
Abolishing third change	6	60.0	4	40.0	-	-	10
Improving working conditions	12	60.0	4	20.0	4	20.0	20
Meeting expectations due to the change of the investor in the company							
Yes	6	9.4	4	25	10	50	20
No	58	90.6	12	75	10	50	80
Total	64	100.0	16	100	20	100	100

Source: authors' research

Most surveyed employees of the company expected better remuneration conditions after change of the investor (69.4 %). Another expectation was the possibility of promotion (32.7 %), 20.4 % of employees expected reduction of stress and another 20.4 % expected improvement of working conditions, 10.2 % of employees would like to increase their qualifications, another 10.2 % expected removal of the third shift and 8.2 % of employees would like to introduce free Sunday in the company. People with higher education had higher expectations from a foreign shareholder than people with secondary education. However, according to the majority of employees, regardless of education, the remuneration conditions in the enterprise should improve. The research shows that the vast majority (80 %) of the respondents declared that their expectations were not met after the investor in the company had changed. The higher education employees had, the more often they declared their expectations were met. It was more difficult to satisfy employees with secondary education. The respondents did not assess the social conditions in the enterprise differently. The majority (46 %) were of the opinion that the social conditions had deteriorated, and only 18 % considered that they had improved. Employees were most concerned about dismissal from work (70.7 %), liquidation of the enterprise (63.4 %) and deterioration of remuneration conditions (61 %).

Conclusions, proposals, recommendations

The survey made in the Imperial Tobacco Polska Manufacturing S. A. production plant after the investor had changed shows that:

- 1) the majority of the respondents assessed the impact of foreign capital on the Polish economy (64 %), the economic situation of the city of Radom (64 %) and the enterprise employing them (70 %) as positive;
- 2) almost 60 % of the respondents before privatization and 84 % after privatization assessed the situation of the company as positive,
- 3) for the respondents, foreign capital was associated positively (enterprise development, improvement of the economic condition of the enterprise, creation of new jobs, reduction of unemployment, implementation of new technologies) rather than negatively with such issues as: corruption, dismissal of employees and liquidation of enterprises;
- 4) people holding the top positions assessed remuneration conditions after the change of the investor as much more advantageous than those employed in lower positions in the organizational hierarchy;
- 5) there was a dependence between the position held in the company and the sense of influence on the decisions made; the higher the position, the greater the sense of influence;
- 6) people holding higher positions more often declared improvement of the relationships both among the superiors and employees and among the employees in the enterprise after the change of the investor; the vast majority (about 70 %) of respondents declared that they did not see any change in this respect;
- 7) people with higher education were more satisfied with their work;
- 8) the position held and the education of the respondent significantly affected the expressed opinion on issues related to privatization and change of the investor in the analysed enterprise;
- 9) The processes of implementing changes in enterprises are an inherent element of management. In case of change of the investor, among others, the managers should ensure proper communication of the change to the stakeholders in order to minimize the employees' anxiety due to changes related to possible dismissal from work, liquidation of the enterprise or deterioration of remuneration conditions, and, consequently, their own subjectively assessed financial situation.

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