

# Impact of Privatization on Creativity: A Study in Pre and Post Privatization Period of a Public Sector Organization

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## Abstract

*The present study is designed to examine the impact of privatization on creativity in pre and post privatization period of a public sector. For this purpose, one public sector organization was selected which has been privatized few years ago. Creativity was measured by using a 4-point rating scale ranging from quite false to quite true. Data were analyzed employing Z test for measuring difference in means. Result indicated that organization has shown significant difference in the degree of creativity in pre and post privatization period (Mean in pre privatization period=13.6833 and Mean in post privatization period=16.0083).Liner impact of designation, qualification and age on creativity is also examined and found to be insignificant. Findings can be explained in light of setting super ordinate goal by the organization, little strain effect and exhibition of creativity by the employees.*

**Keywords:** Creativity, privatization, superordinate goals, strain effect

## Creativity: An Overview

Hines (1987) stated, "Creativity refers to developing an original product, service or idea that makes a socially recognized contribution. Creativity has been romanticized by some consultants as a special function of the brain's right hemisphere. It is not. This myth is based on pseudosciences of the 1800s that have been proven incorrect in scientific research".

Creativity does not involve thousands of vague and unproductive ideas. Each idea whether it is relevant or irrelevant with the problem can not be put under the category of creative idea. Creativity is journey that involves creative process. Luthans (2002) stated that there are two widely recognized dimensions that can help explain the creative process:

- (i) Divergent: This refers to a person's ability to generate novel, but still appropriate, responses to questions and problems. This is contrast to convergent thinking, which leads to responses that are based mainly on knowledge and rational logic.
- (ii) Cognitive complexity: This refers to a person's use of and preference for elaborate,

intricate, and complex stimuli and thinking patterns. Creative people tend to have such cognitive complexity and display a wide range of interests, are independent and are interested in philosophical or abstract problems.

To enhance creativity in any organization, the simplest way is to hire creative people. Hiring creative people is not always possible. So, as a next alternative organization must provide creative work environment. Oldham and Cummings (1996) stated, "In addition to hiring creative people, organizations need to provide jobs and work environment that foster creativity". Mcshane and Von Glinow (2001) stated that creativity flourishes when employees are given freedom deciding how to accomplish tasks and solve problems. This means that they should have sufficient autonomy for empowerment. They further stated that external pressure tend to stifle creativity because employees focus on known rather than divergent solutions to their work. Superior, team leaders and others should encourage risk taking by ensuring that employees are not punished for behaving or thinking differently. They should reinforce the notion that errors are part of the learning

process.

Organizations should provide an environment, from where employees can unleash creativity. Management must be able to explore and exploit creative ideas of employees. Creative ideas, operations thoughts etc. should not be suppressed, rather should be encouraged. Organization should carefully build an environment for free flow of creativity. For ex. suppose an employee has put his creative ideas for new product development. As a response his manager laughs at him/her, without any pre intention. This attitude will check the concerned employee for putting further innovative proposals. Hence, creativity should be cultivated in a highly supportive and sophisticated environment.

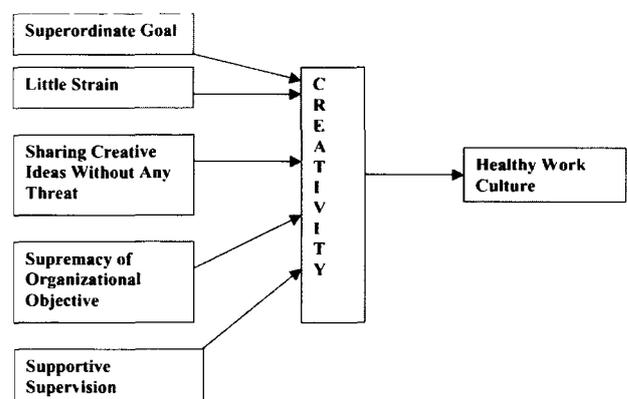
For healthy work culture creativity is very important. When an employee will come out with innovative idea and his effort would be appreciated by the top management, then definitely it will create a positive impact on concerned employee as well as on all other employees. 'I am important for the organization feeling', will generate a sense of belongingness and emotional attachment to the organization. Outcome of sense of belongingness and emotional attachment will definitely generate a good work environment.

It has been observed that creative thinking, innovative styles of working, creative freedom, open environment etc. puts a positive impact on work culture of any organization. Oldham and Cummings (1996) stated "Creativity results in people looking at things differently". In fact, various researches have been conducted on creativity and its effect. Robert Root Bernstein and Michele Root Bernstein (2000), based on their extensive research work stated "in contrast to the average person, creative people seem better able to do things such as abstracting, imaging, synthesizing, recognizing patterns and empathizing". It is understandable that creative environment will definitely exert an effect on employee. This effect will definitely be positive. Thus, organizations must foster creativity to build a healthy work culture in any organization.

## Antecedents of Creativity and Creativity Model

From the above discussion this is very clear that creativity is an essential tool of developing positive work culture and organizational efficiency. For this purpose we need to identify factors which seems to responsible for creativity generation. Following are the factors which act as a tool for creativity generation. Creativity is based on various factors like superordinate goal (Sethi, Smith & Park, 2001); little strain (Van Dyne; Jehn & Cummings 2002); work and non work support (Madjar, Oldham & Michael 2002); perceived threat (West 2002); job self efficacy (Tierney & Farmer 2002); past experience of employee (Ford 2002); exhibition of creativity (Williams 2002) and effective not closed supervision (Zhou 2003)

### Creativity Model



## Indian Economy: Few Glimpses of Public Sectors

Prior to 1947, Indian economy had not seen "Public sectors". Railways, the posts and the telegraph were few exceptions. After independence expansion of public sector has become integral part of industrial policy. In fact, industrial policy resolution 1956 stated "The state will progressively assume predominance and direct responsibility for setting up new industrial undertakings and for developing transport facility". Public sectors started working as a path setter of Indian economy and were assumed as milestones of socialist Indian economy. Actually development through public sectors was a philosophy and dream of Pt. Jawahar Lal Nehru (first prime minister of independent

India, 1947-1964). But public sectors have not shown enough growth during their development period. Instead, public sectors were proven to be instruments of exploitation, nepotism, redtapism and corruption. This situation has not arisen in a single day. Mounting losses, political factors influencing decision about location, delays in completion and increase in cost of construction, over-capitalisation, price-policy, use of man power resource in excess of actual requirements, capacity utilization, inefficient management, higher capital intensities leading to lower-employment generation and of course weak work culture were few factors, which seemed to be responsible for public sector fiasco.

Out of above stated factors, our concentration would be mainly on weak work culture of public sectors. In India work culture is not a very well established term. Sinha (1985) stated "Work is not intrinsically valued in India. There exists a culture of *aram* which roughly means rest and relaxation without (being) preceded by hard and exhausting work. Although there are large regional variations, it is not infrequent to find a large number of people sitting here and there doing nothing. Even those who are employed often come late to office and leave early unless they are forced to be punctual. Once in office, they receive friends and relatives who feel free to call at any time without any prior appointment. People relish chatting and taking over a cup of tea or coffee while work suffers. Quite often, people visit ailing friends and relatives or go out of their way to help them in their personal matters even during office hours. While working, one is struck by the slow and clumsy actions and reactions, indifferent attitudes, procedure rather than outcome orientation, the lack of consideration for others. In his further researches Sinha (1990, a) found that above work conditions are quite common in public sectors of India. He called it a soft work culture.

Sinha (2000) stated that a soft work culture is found to be more prevalent in public sector organizations, although there are a number of exceptions. Sinha (2000) further stated that in an organization with soft work culture, employees

believe that hard and sincere effort is less important than meeting personal obligations, that merit matters less than personal connections, that no one cares if work is not performed or if the quality of products and services is poor and that everyone looks after his own sectional or individual interest. Sinha's observation was almost correct in case of every public sector of India, leaving few exceptions.

There is no doubt public sectors have provided a strong base for private sectors to undertake investment in other areas as infrastructural facilities. But a public sector enterprise survey (1992-93) revealed "However after the initial concentration of public sector investment in key infrastructure areas, public enterprises began to spread in all areas of economy including non infrastructural and non core areas. This has resulted in a poor general overall performance of the public sector, which has manifested itself in low or negative results to public investment.

Disinvestment of public sectors, V.R.S. to shed the load of excessive workers, reduction in welfare schemes, inclination toward profit in place of social economy are some newly introduced factors which seems to be responsible for new work culture development in public sectors. In fact, public sectors are witnessing a fundamental shift in working attitude and work style due to open economy and increased competitiveness.

Impact of globalization, privatization and new industrial policy of year 1991, might have affected work culture of every organization including plant which has been taken for present study. In fact, public sectors are witnessing a fundamental shift in work attitude and work style due to open economy, increased competitiveness and privatization attitude of the government. In the changing environment organization which has been taken for present study has also been privatized and started working as a private organization. This development might have affected the work culture of this organization.

So, work culture of this plant can be divided in two broad categories. First is the work culture of this plant in pre privatization period. And second is the work culture of this plant in post privatization period. Creativity is also an important ingredient of healthy work culture. Creativity generates a sense of security, mutual trust, mutual respect and dignified behaviour. Employees find themselves very comfortable because they know that they are doing something innovative and it will be appreciated by the organization. Creativity generates a feeling of contribution among employees and if it is well appreciated and recognized by the organization, generates a feeling of belongingness and job satisfaction. Hence, there is no doubt that creativity is an important prerequisite of healthy work culture.

However, above are assumptions and there is a need to verify these assumptions. The present study is designed to examine the specific problem that is there any change in the degree of creativity in two different periods i.e. before and after privatization. It is hypothesized that degree of creativity would differ significantly in pre and post privatization scenario. Creativity was assessed on the basis of creative environment prevailing in the organization. It is assumed that in creative environment employees get a favourable environment to unleash creativity. Hence creating a creative environment is the key of creativity generation.

## **Methodology:**

### **Sample**

Subjects of the present study were selected from managerial and non-managerial staff of this organization. A total of 120 identical subjects were selected equally from both the periods i.e. for pre privatization period and post privatization period.

For sampling, simple random sampling was used. Managerial and non managerial staffs were taken as probable respondents. Samples were selected from all the departments of the organization like production, finance,

personnel etc. In nutshell, for sampling a particular department was avoided, rather it represented respondents from all the departments.

### **Data Collection Tool**

Creative freedom was measured by using a 4 point rating scale ranging from quite false to quite true. Questionnaire consists of 5 items, description of which is as below:

1. My organization provides jobs and work environment that foster creativity.
2. For employees organizational objective is supreme and individual objectives are adjusted in the direction of organizational objective.
3. Though we all face little strain but strain is not unbearable.
4. Employees freely share creative ideas without any threat.
5. In my organization supervision is supportive and supervisors are solution seekers not problem creators.

### **Profile of the Respondents and Procedure of Survey**

Subjects of the present study were selected from category of managers and other staff of a private sector organization. Identical (same) 120 subjects were selected randomly from each period i.e. same 120 subjects for pre and post privatization period. Thus, the sample comprised of 120 subjects. Questionnaire was administered to these subjects. After a week respondents were contacted again, to collect responses. Some of them, who failed to fill the answer sheet, were requested again to fill the answer sheets within few days. They were again contacted and filled answer sheets were collected from them. In this manner, data were collected from 120 respondents from the organization, taken in present study.

**Table 1**  
**Age description of respondents**

Age	23	26	27	28	30	31	32	35	36	37	38	39	41	42
Respondents	1	1	1	1	3	1	3	2	2	1	3	2	2	3

Age	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57
Respondents	3	4	5	9	10	7	11	11	9	7	2	2	2	5	7

**Table 2**  
**Designation description of respondents**

For Entire Population	120
Operators	10
Junior managers	43
Managers	35
Senior managers	31
General Manager	1

**Table 3**  
**Qualification description of respondents**

For Entire Population	120
Diploma in engineering	20
Graduate	20
Post graduate	10
Professional qualification	67
Ph. D.	3

**Table 4**  
**Mean scores of description of respondents in different periods**

	Sum	Mean	Std Dev	Variance	Cases
For Entire Population	3563.00	14.8458	2.4214	5.8632	240
Pre Privatization	1642.00	13.6833	2.2000	4.8401	120
Post Privatization	1921.00	16.0083	2.0518	4.2100	120

**Table 5**  
**Regression Model Summary**

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Durbin- Watson
1	.139	.019	.007	2.41376	1.211

**Table 6**  
**Regression Analysis (Coefficient)**

Model	Unstandardized Coefficients		Standardised coefficients	t	Sig.	VIF
	B	Std. error				
1 (constant)	14.346	1.280		11.209	.000	
designation	-.226	.171	-.089	-1.320	.188	1.066
qualification	-.092	.140	-.046	-.660	.510	1.172
age	.031	.023	.095	1.329	.185	1.216

**Table 7**  
**ANOVA table for overall significance**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	26.696	3	8.899	1.527	.208
Residual	1351.689	232	5.826		
Total	1378.386	235			

## Findings

From table 5, it is very clear that regression model is not a strong predictor model. Value of  $R^2$  is only 0.019, which clearly indicates that only 1% of variation in creativity can be explained by multiple regression models with designation, qualification and age as explanatory variables. From the table 6, it is also clear that designation, qualification and age fail to show any linear significant impact on creativity. Values of 't' for examining liner impact are found to be highly insignificant. Table 7 also indicates the overall insignificance of regression model. So it can be claimed that multiple liner regression model is not a true predictor model for this survey.

Taking the null hypothesis that the means of two populations do not differ, we can write:

$$H_0: \text{mean1} = \text{mean2}$$

$$H_1: \text{mean1} \neq \text{mean2}$$

Assuming the population to be normal, we can work out test statistics z as under:

As  $H_1$  is two sided, we shall apply a two-tailed test for determining the rejection region at 5% level of significance which comes to as under, using normal curve area table:

$$|Z| > 1.96$$

The observed value of z is -9.49, thus we reject  $H_0$  and conclude that the two samples cannot be considered to have been taken at 5% level of significance from the same population. This means that the difference between means of two samples is statistically significant and not due to sampling fluctuations.

## Discussion

From the above findings, it is clear that there is a significant difference in perception of creativity in pre and post privatization period. No doubt, privatization is an emerging need of global business environment. But a million dollar question is whether privatization of public organization will be able to solve this problem. Findings of the present study can be explained in light of the basic difference between public and private sector organization.

One possible explanation is in the context of setting superordinate goals. Park (2001) had postulated that superordinate goal is a weapon to unleash creativity. This fact has also been observed in the organization which is taken for this study. After privatization management has set a goal in terms of productivity and growth. Privatization itself has become a supportive element for setting and achieving this goal. Earlier employees did not take the goals seriously. Now this scenario has been changed completely. Concept of productivity and growth has been communicated to all. Communicating is another thing but accepting it with dedication is an effect of privatization. So, it can be said that setting superordinate goal which is supported by privatization has enhanced the creativity in the organization.

The second explanation may be the resulting strain from creativity. Before privatization employees used to feel that they are government servants and are not accountable for any thing. They used to work in a complete relaxed environment. Sinha (1990) has also observed that in Indian public sectors work has been replaced by non work activities. There is an environment of relaxation without preceded by hard work. After privatization this tendency of employees is curtailed. Now they have started thinking about their jobs and showing competence. This feeling has created some strain in their mind. Van Dyne; Jehn & Cummings (2002) have also observed that strain is correlated to the degree of creativity among employees.

Exhibition of creativity is a factor which enhances degree of creativity (Williams, 2002). Before privatization employees were neither bothered about showing creativity nor they used to discuss about it. In fact, apart from daily routine work, employees were not habitual of doing any extra work. They used to come to office, perform usual work without adding any thinking aspect and used to go to home. This tendency had checked the creativity among employees. After privatization this environment has been changed completely. Employees have realized that for existence in the organization 'Go Easy' technique will not

work. So, in this new environment employees have started exhibiting creativity which fosters an environment of creativity and also motivates other employees to exhibit creativity.

### **Managerial Implications**

Organizations in this country have fuzzy boundaries. Our organizations have provided settings for interaction of familial forces, interest groups, caste conflict, regional and linguistic groups, class conflict, and political and religious forces among others. Therefore, organizations do not concern themselves with work, but seem to concern themselves more with those activities which maintain "equilibrium" of the societal forces (Ganesh, 1982). Above statement seems to be an exaggeration of Indian organizational scenario. Sinha (1990) has provided a more poised statement by saying that the above scenario that Ganesh describes is true for many but not all organizations. Above statements were made during 80s and last 90s and with specific reference to Indian public sectors. After liberalization Indian scenario has been changed completely. The last 15 years have witnessed tremendous change in Indian economic policies and performance. The ramparts erected in the previous 40 years (1950-90) against foreign trade, capital flows and technology have been largely dismantled and the winds of globalization are sweeping across this ancient and tradition-bound land. The hitherto unquestioned primacy of the government and public sector in economic development has been challenged. Indian industry has renewed its vigour in the fires of open competition (Acharya2005). So, we can see that in the storm of globalization, liberalization and privatization, the "fuzzy boundaries" described by Ganesh are diminishing. Indian organizations must take advantage of this favourable situation. Now there is a need to inculcate a superordinate goal feeling among employees. Employees must work for superordinate goals which can be organizational or national. It has also been observed that in Indian organizations some of the employees are overloaded and some are under loaded. There is need to allocate work on equality basis, where every one can

share equal work with a little strain which can be called productive strain. There is need to develop a few scientific methods for equal work allocation. It is also important that equal work allocation should be seen through the lenses of qualitative work, not quantitative work. In offices and organizations it is very common to see people coming on time, leaving office on time but not involved in any productive activity throughout the day. This tendency of doing unproductive work must be curtailed. This provides a platform to develop some qualitative work measurement techniques. Indian organizations need to follow some Japanese techniques of work improvement like quality circles. This is a platform for creativity exhibition and is very important for creativity generation and its dissemination among employees. Though some Indian organizations are practicing this technique but this is not a common practice in all the Indian organization. So there is need to invent and apply some scientific techniques for creativity generation and its exhibition.

### **Limitations and Future Research**

Limitations of this study suggest avenues for future research. As a first limitation in this study, the sample is a mixed sample from all the organizational levels. Employees from different levels can be taken and impact of organizational levels on creativity can also be examined.

Secondly, the insignificant multiple regression result limits the strength of findings. Relationship between explanatory and response variables in terms of curvilinear and other kind of relationship can also be examined by future researchers. Increased creativity can be a linear or non linear combination of various other factors like job satisfaction, job insecurity, role clarity, job affect etc., with their individual contribution. This can also be tested in future research.

Thirdly, age, designation and qualification are taken as independent variables for examining linear impact of these on creativity. Few more variables like income, experience, service

length in the organization can also be taken to strengthen the regression model.

Fourth limitation is due to time constraints. Some questions relating to innovation have not been included in the survey. Inclusion of these questions will lead to some more interesting findings.

Fifth limitation is related to the statement "In my organization supervision is supportive and supervisors are solution seekers not problem creators" used in the questionnaire. This statement is not very specific. It contains three elements:

- (1) Supervision is supportive,
- (2) Supervisors are solution seekers and
- (3) Supervisors are not problem creators.

For future research this statement should be divided into three specific parts so that the result will be more specific and accurate.

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